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Flexibility and security over the life course

Muffels, R.J.A.; Chung, H.J.; Fouarge, D.J.A.G.; Klammer, U.; Luijkx, R.; Manzoni, A.; Thiel, A.; Wilthagen, A.C.J.M.

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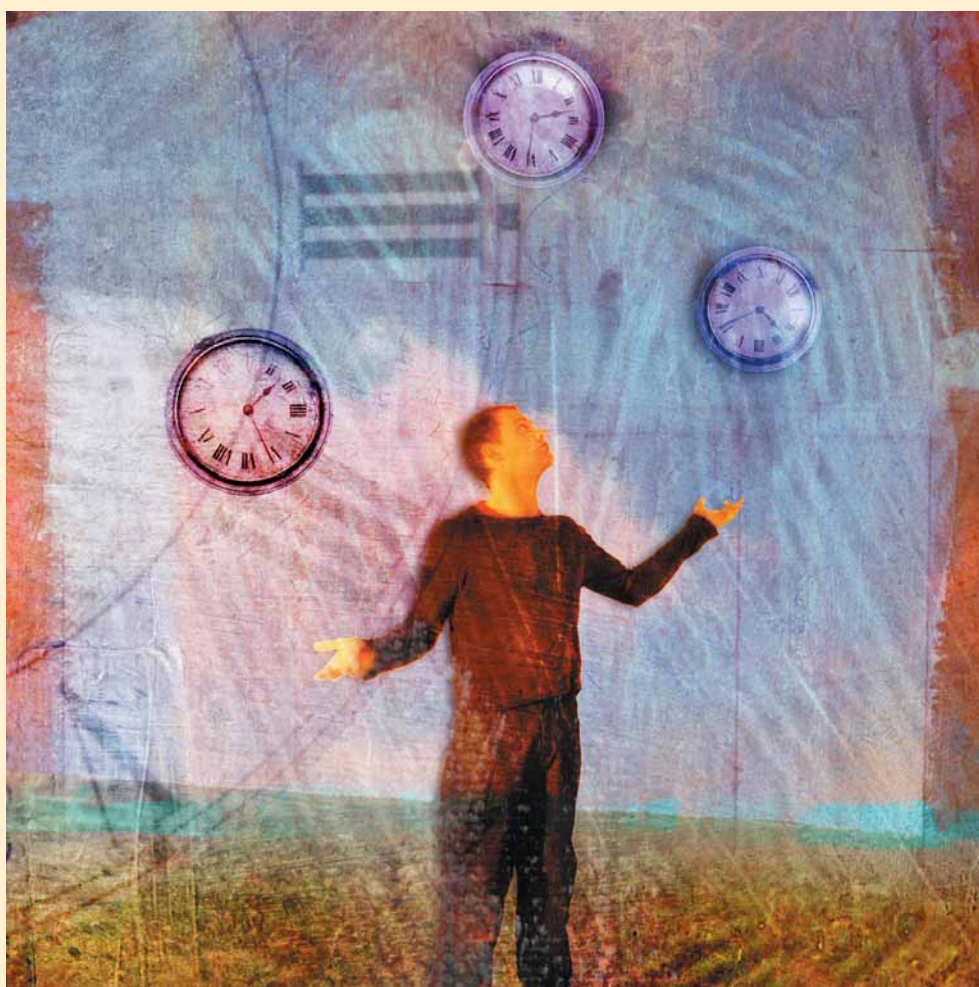
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European Foundation for the Improvement of Living and Working Conditions

Flexibility and security over the life course



Flexibility and security over the life course

Authors: Ruud Muffels (coordinator), Heejung Chung, Didier Fouarge, Ute Klammer, Ruud Luijkx, Anna Manzoni, Anke Thiel and Ton Wilthagen

Research institute: OSA Institute for Labour Studies, Department of Sociology, Tilburg University, Netherlands

Research managers: Branislav Mikulić and Hubert Krieger

Research project: Flexibility and security over the life course



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European Foundation for the Improvement of Living and Working Conditions
Wyattville Road
Loughlinstown
Dublin 18
Ireland
Telephone: (+353 1) 204 31 00
Fax: (+353 1) 282 42 09 / 282 64 56
Email: postmaster@eurofound.europa.eu
www.eurofound.europa.eu

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Foreword

Rapid progress in new technologies, increased competition due to globalisation, changing consumer demand and growth in the service sector have all had a huge impact on production methods and work organisation. These new trends reflect the transition from a relatively standardised work organisation structure, employment contracts and working time patterns toward more flexible and more diversified models, leading to an increasing variety of company practices regarding human resources, time allocation and time management. This shift towards de-standardisation of employment contracts and diversification of working time arrangements is driven by companies' requirements for greater flexibility and adaptability to market constraints.

Ageing of the European population, increasing labour market participation of women, prolonged education and changes in the way households now allocate their time and income – all these trends trigger the need for more flexibility for employees, too. In the interest of improving their work-life balance, workers need more choices regarding working time arrangements, especially during the 'rush hour' of their life course when working, caring and education pressures come together. However, at the same time, they expect to have an adequate level of security as to their employment, income and career advancement.

EU policy has addressed the issue of flexibility and security. In its 'Integrated guidelines for growth and jobs' (Lisbon Agenda), the Commission calls on Member States to promote labour market flexibility together with employment and income security. It highlights the importance of developing synergies to bring together flexible contractual and working time arrangements, active labour market policies, life-long learning, modern social security systems and social dialogue. Such synergies have the potential to increase competitiveness, create better jobs, strengthen social cohesion and spread the benefits of more open and flexible labour markets to all citizens.

This report summarises the main findings from a research project which set out to examine the long-term effects of the ongoing trend towards greater flexibility in employment contracts and working time. It builds on earlier Foundation research into the flexibilisation of working time over the life course. It first looks at how national policy and social dialogue at national level has influenced the levels of flexibility and income and employment security in European countries. Then it shows the prevalence of forms of flexible employment contracts and working time in companies and the impact on the individual's career development, income and employment security.

We trust that this report, which follows on from extensive empirical analysis of flexibility and security over the life course, can add some substance to the on-going debate on the necessary social innovations in European societies at the beginning of the third millennium.

Jorma Karppinen
Director

Willy Buschak
Deputy Director

Country codes

AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom

Abbreviations

ESWT	Establishment survey on working time and work–life balance
ECHP	European Community Household Panel

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Introduction

This report presents the findings of a research project carried out in 2006 and 2007 by the European Foundation for the Improvement of Living and Working Conditions (hereafter referred to as the Foundation). This project aimed to examine the long-term effects of the ongoing trend towards greater flexibility in employment contracts and working time in the European labour market. The research considered developments at national (macro) level, company (meso) level and worker (micro) level. The main research concerns are, first, what this ‘flexibilisation’ trend means for workers in meeting their needs for reconciling work and private life and for improving their work–life balance. At the same time, the study explores the implications for employers in meeting their flexibility needs over the company’s life cycle. In the context of such flexibility, income and employment security in society should be safeguarded and labour market segmentation avoided.

This research objective is the examination from a life-course perspective of employment contract and working time arrangements, as it aims to assess the effect of these variables over the life course. From a broader policy perspective, the study therefore deals with the flexibility–security balance within a life-course perspective. The report builds further on earlier Foundation research into the flexibilisation of working time over the life course (Sisson et al, 1999; Naeyele et al, 2003; Anxo et al, 2005; Anxo et al, 2006; Torres et al, 2007).

The policy issue of how to maintain a flexibility–security balance in an increasingly international and competitive environment is known in the European policy debate as ‘flexicurity’; this concept will be discussed below. The flexicurity debate refers primarily to the macro-level perspective, which is one of three perspectives considered in this research project. At this level, the study first conducted an inventory of national regulations with respect to contract and working time flexibilisation policies enforced by law or established through collective agreements in a number of European countries. In a second step, data sources were used to examine how policies or the social dialogue process at national level affect the attained levels of flexibility and income and employment security in European countries. Specific features or constraints of the national labour market and social security institutions also have an impact in this regard.

This macro-level perspective has been supplemented with the view at worker level and company level. At the worker (micro) level, so-called ‘scarring’ effects can impact on a work–life balance. The study examined the extent to which employment in non-standard contracts has a lasting effect on the future employment position, the future wage level or the occupational career. In so doing, the research referred to various comparative longitudinal (panel) data sources in Europe.

The second aim of this study is to consider the features and success factors of so-called innovative best practices in human resource management (HRM) within companies with respect to establishing working time arrangements over the life course for their workers. For this part, reference was made to secondary information sources on companies’ best practices.

The overall objective is to examine the flexibility–security issue from a life-course perspective, as well as from a supply (worker) and demand (company) perspective simultaneously. With respect to the two dimensions of flexibility and security, Table 1 presents a typology of the various forms of employment contract and working time flexibilisation.

Table 1 Typology of forms of flexibilisation

	Internal labour market	External labour market
Quantitative or numerical	Flexibilisation of working hours Part-time work plus variations Overtime Second and third job Flexibilisation of working time Shift work (day) Variable working times (day) Weekend work (week) Flexible working time (year) Working time accounts (short, long-term) Career breaks, parental leave, other (life course) Flexible pensions (life course)	Flexibilisation of contracts Temporary agency work Casual job Temporary job On-call labour Hourly contract Insourcing and outsourcing Work as (sub)contractor Homework Labour pooling
Qualitative or functional	Flexibilisation of labour input ('employability') Occasionally employed Multi-skilling and multi-tasking Task and job rotation Task and job enrichment	Flexibilisation of labour force Knowledge worker Detachment of workers Freelance work Advising/consultancy work

Source: Classification partly derived from Ester, Muffels and Schippers, 2001

Due to data and time constraints, it appeared impractical to deal with all aspects of internal and external, qualitative and quantitative flexibility. Therefore, the research is limited to the numerical dimension only. Thus, the issues of functional or qualitative flexibility, and hence of 'employability', are not covered. Overall, two forms of flexibilisation received particular attention: the first, primarily reflecting the flexibility needs of workers, namely, part-time work and flexible working time arrangements; and the second, primarily reflecting the flexibilisation needs of companies, namely, flexible employment contracts.

The typology of the forms of flexibility leaves out one important aspect of flexibility dealing with wage or pay flexibility. However, wage flexibility is part of the definition of flexicurity as elaborated by Wilthagen and Tros (2004), which also encompasses the security dimension. That definition reads as follows:

'Flexicurity is a degree of job, employment, income and combination security that facilitates the labour market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labour market participation and social inclusion, while at the same time providing a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets' (and individual companies') timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity.'

This definition has recently been used by the European Commission in its 2006 *Employment in Europe* report (Chapter 2). Job security in this definition refers to job tenure in a specific job, while employment security means remaining in work, not necessarily with the same employer. Income security refers to the degree of income replacement due to the loss of work and combination security means the capability to combine paid and unpaid work or social activities during the life course. Table 2 outlines the definition; it also indicates (with an 'X') which dimensions of the definition are at least partially covered in this research project.

Table 2 Flexibility and security nexus

Flexibility–security	Job security	Employment security	Income security	Combination security
Numerical-external	X*	X	X	X
Numerical-internal	X*	X	X	X
Functional				
Wage or pay flexibility				X

*Job security is partially covered since only information on occupational status and changes therein is available. However, workers might change jobs without changing occupation.

This definition fits well with the above research questions, while it also explicitly takes the life-course dimension on board by stating that all dimensions of security are covered which ‘facilitate the labour market careers and biographies of workers’.

Flexicurity and working time flexibilisation: The debate in Europe

The notion of ‘flexicurity’ – an amalgam of the words flexibility and security – assumes that a positive relationship exists between the two constituent parts, or a ‘double bind’. A high level of flexibility is required for a country to be competitive and thereby to be able to afford a high level of employment security. Likewise, a high level of employment security should be an underlying prerequisite for sustaining high levels of flexibility (Wilthagen and Tros, 2004). However, in practice it might be that the relationship can be negative and that more flexibility jeopardises the attainment of employment security, which implies a ‘trade-off’ between the two elements. There can be little doubt that flexicurity has become one of the key political concerns in the European Employment Strategy (EES). Due to increasing international competition, labour markets are confronted with mounting pressures to adapt more quickly to changing market demands and conditions. The adaptability of workers and companies to these changing conditions is therefore one of the major pillars of the EES.

The need for an improved adaptability of the European economy is translated into the need to improve the employability of workers and to enhance the flexibility of companies and workers. At the same time, the various national labour market and social protection systems in Europe are also bound to contribute to the improvement of the employment and income security of employed as well as unemployed workers. This social dimension – being an intrinsic part of the social dialogue at European level, as well as the European social policy process – is indispensable for enhancing social cohesion and preventing social exclusion. Indeed, this ‘double demand’ of flexibility and security has been prominent in the European debate and policy process for quite a long time and constitutes one of the axes on which the European social model has been built. It became more prominent in the framework of the Lisbon agenda as agreed at the European Council in 2001 and was modified after the publication of Wim Kok’s Employment Report in 2003; the former prime minister of the Netherlands chaired the task force that prepared this report, entitled *Jobs, Jobs, Jobs – Creating more employment in Europe*.

Europe seems to search for the best of two worlds: the economic dynamics and flexibility of the ‘new’ world (mainly the USA but increasingly also the emerging economies of Asia, in particular China and India) and the security and protection of the ‘old’ world, Europe itself (see Expert Group on Flexicurity, 2007). This double demand of flexibility and security is termed by Wilthagen and Tros (2004) as the ‘flexibility–security nexus’. The entanglement of both aims of flexibility and security had

already appeared in 1997 in the European Commission's Green Paper *Partnership for a new organisation of work*, which stated that 'the key issues for workers' management, the social partners and policymakers alike is to strike the right balance between flexibility and security' (p. 7). In a report of the European Commission on labour relations in 2000, it was concluded that:

'All Member States have tried to improve flexibility in the labour market by launching active employment and vocational training policies. Modernising the way in which the labour market operates means finding a new balance between flexibility and security. This is reflected at Community level in the framework agreement on part-time working, concluded by the social partners.'

Moreover, the European Commission agreed on issuing a communication on flexicurity in June 2007 in light of the Spring Council meeting. This document would contain a set of common principles or the assessment of practical pathways to be adopted by Member States for improving the flexicurity balance. In November 2006, the Commission published a Green Paper on *Modernising labour law to meet the challenges of the 21st century* (COM(2006) 708 final), which raised considerable concern among the social partners, particularly on the issue of the relaxation of existing employment protection rules.

Outline of the report

Chapter 1 outlines the design of the project and the various research elements. Chapter 2 discusses the conceptual tenets of the research, the welfare regime and life-course approach. Chapter 3 summarises the main findings and conclusions, and discusses the main policy lessons to be drawn from the national (macro) level and the individual (micro) level of the research. This chapter is based on the content of seven working papers produced in the framework of the study. These papers are listed in Annex 1. Finally, the conclusion briefly formulates some general observations and topics for discussion. The results of the analysis at company, or meso level, are presented in a separate paper (Klammer et al, 2007).

Structure of research project

1

This Foundation research project 'Flexibility and security over the life course', consists of the following four main stages:

1. development of a feasible set of indicators on flexicurity;
2. feasibility testing of existing longitudinal data sources;
3. empirical examination from a life-course perspective of flexible employment contracts and working time arrangements;
4. inventory of legal arrangements and secondary analysis of existing company case studies.

Development of indicators

The project started with the construction of a set of dynamic indicators that would allow the assessment of the level of flexibility and income and employment security in a country, as well as changes over time. The study was restricted to feasible indicators with a view to the information available in longitudinal data sources covering the European countries to be included. This means that more indicators could have been established if more information had been available in these surveys. However, the feasible set of indicators already appeared to be rather extensive.

The plan was to include the following seven countries in the analyses: France, Germany, the Netherlands, Spain, Sweden, the UK and one of the new Member States (NMS), such as Hungary or Poland. The underlying idea was that these seven countries reflect the geographical spread of the countries as well as, to a certain extent, the various policy regimes existing in the EU. Because one of the datasets to be used – the European Community Household Panel (ECHP) – contains information on more countries, it was decided to include all of the ECHP countries on which reliable information was available. However, for the life-course data analyses, a smaller number of countries was included due to the limited availability of these datasets.

The development of a feasible set of static and dynamic indicators resulted in a list of 27 short-term and 27 long-term flexibility and security indicators. The list further contained 28 short-term and 13 long-term macro-level context indicators dealing with information on the social and economic conditions in these countries¹.

The list of dynamic indicators was compared against the various longitudinal data sources to be used in the second stage of the project in order to identify those indicators with sufficient statistical information. This step was necessary for the feasibility study in the second stage, which examined whether the information available was sufficient and feasible to use. The data sources to be explored consisted of four categories: a) the cross-sectional survey on working time arrangements from the Foundation – the Establishment survey on working time and work-life balance (ESWT); b) the ECHP covering the 15 EU Member States before the enlargement of 2004 (EU15); c) national panel studies for Germany, Hungary, the Netherlands and the UK; and d) retrospective life-course data in various countries (see Box 1).

¹ The list of indicators is available on request from the authors.

Box 1: Longitudinal data sources used

ECHP data plus national panel data

The longitudinal data used are primarily the European Community Household Panel (ECHP), supplemented with the Hungarian panel data. The Hungarian data come from the Consortium of Household Panels for European Socio-Economic Research (CHER) database and were derived from the Hungarian Household Survey (HHS) for 1992–1997. The ECHP contains panel data – that is, repeated measurement among the same sample of people – for 14 of the EU15 countries; for Sweden, the dataset contains only cross-sectional data. For Germany, Luxembourg and the UK, the ECHP contains two sources of information: ECHP-specific panel data and panel data from the three national panels. For these countries, this study uses the latter source. The data for the UK cover Scotland and Wales from 1999 on and Northern Ireland from 2001 on. This means that, when this study reports on transitions, Northern Ireland is not included, and Scotland and Wales are included only for two years. For all other countries but three, data are available for 1994–2001. For Austria and Luxembourg, data are available from 1995 on and for Finland the data start in 1996.

Apart from the ECHP, the study refers to the British Household Panel Survey (BHPS) for the period 1991–2003, the German Socio-Economic Panel for 1984–2005 and the Dutch Socio-Economic Panel for 1984–2002 (the Dutch panel stopped interviewing in 2002).

The labour market history for the UK is constructed mainly from the retrospective information gathered in the second wave of the BHPS (1992), supplemented with labour market information from the panel waves of the BHPS. This study uses labour market histories starting from the 1920s (for the oldest birth cohort) up to 2000. The labour market history refers to the period starting from the first labour market entry – after leaving full-time education – up to the current situation at the time of interview. The files used were derived from work done by Maré (2006).

The data for the Netherlands are from four retrospective life history surveys based on stratified random samples of the Dutch population: the Netherlands Family Survey 1992–1993 – FNB1992 (Ultee and Ganzeboom, 1993); the Survey Households in the Netherlands 1995 – HIN1995 (Weesie and Kalmijn, 1995); the Family Survey Dutch Population 1998 – FNB1998 (De Graaf et al, 1998); and the Family Survey Dutch Population 2000 – FNB2000 (De Graaf et al, 2000). The surveys gathered retrospective information on work histories and changes in the family structure and marital situation. For all of the jobs that the respondents had held, they reported beginning and end dates, as well as additional information on the content of the job.

The data for Germany are from the German Life History Survey (GLHS) and allow the construction of a complete retrospective career history of the respondents, at least up to the current situation at the time of interview. This study uses the aggregate dataset (*Gesamtdatenbank*), which contains life history data from four different waves and covers different birth cohorts (Buchholz and Grunow, 2003).

Feasibility study

Before starting the empirical data analysis, a feasibility study was carried out to examine the feasibility of the data sources to provide answers to the questions posed at the start of the project. More specifically, the aim was to determine whether there were sufficient numbers of employment and life-course transitions in the data sources, as well as sufficient information, to carry out the explanatory analyses at a later stage of the project.

Examination from life-course perspective

The main part of the project consisted of the empirical examination from a life-course perspective of flexible employment contracts and working time arrangements using the earlier mentioned longitudinal data sources in Europe (panel and life-course data). In particular, the study investigated the career or life-course effects of working in flexible employment contracts, of working full time or part time (short and longer hours), and of working part time due to caring duties after childbirth. The career effects that were chosen for the analyses pertain to future employment status, future income or wage level (wage career), and future occupational level.

Inventory of regulations and company case studies

In addition, the project also conducted an inventory of working time regulations in the seven countries and a secondary analysis of company best practices. The company cases partly consisted of literature research into ‘state of the art’ working time arrangements at company level in seven European countries: France, Germany, Hungary, the Netherlands, Spain, Sweden and the UK. Secondary data analyses were also applied using information from existing company best practices to explore the types of innovative flexible working time arrangements oriented towards the life course, in particular working time accounts and self-roster schemes. Telephone interviews were conducted with country experts in the field acting as informants to select the companies and to gather the materials to study the best practices in these selected company cases.

This research project resulted in eight separate working papers. Annex 1 provides an overview of these papers, as well as the structure, data sources and methodology of the research projects undertaken in the various papers. The overview outlines the main characteristics of the project and the working papers that have been completed during the execution of the project. The project was planned in a comprehensive manner to deal with the various research questions at national, company and individual level. The analyses of the various panel and life-course datasets were rather technical by nature. (The separate working papers are available upon request from the Foundation.) This report summarises the main findings from seven working papers that focus on the empirical examination of flexibility and security at the national (macro) level and the individual (meso) level, without going into the technicalities of the analyses. The separate working papers will be available upon request from the Foundation. The focus here is on discussing the main results and the policy lessons that can be drawn from the material provided in the separate working papers.

The project focuses on the relationship between flexibility and income and employment security in terms of national, company and individual level perspectives. Overall, two aspects of flexibility are covered: contractual flexibility and working time flexibility. In this context, contractual flexibility means the scope that employers have to employ temporary or fixed-term workers on so-called flexible contracts. Working time flexibility refers to the opportunities that employers and employees have to adjust their working times to their needs. This three-pronged approach is discussed below.

National or macro-level perspective

From the literature, it seems that two main national or macro-level hypotheses emerge about the relationship between flexibility and income and employment security: the ‘trade-off’ thesis and the ‘flexicurity’ thesis (see Muffels and Luijkx, 2006). The trade-off thesis contends that increased market competition at international level and the increased speed of technological progress demand a more flexible labour market with a higher level of labour market mobility, which might jeopardise the attained level of employment and income security.² Meanwhile, the flexicurity thesis argues that, due to a more dynamic labour market and the growing importance of the ‘knowledge-based economy’, flexibility and security are inextricably linked. They form a kind of ‘double bind’, a mutual relationship or a synergy: a high level of mobility or flexibility enables a country to compete successfully and also to afford a high level of income and employment security. At the same time, the latter should be an underlying prerequisite for sustaining high levels of flexibility (Wilthagen and Tros, 2004).

Applied to contractual flexibility and working time arrangements, this means that labour markets are more balanced in terms of the attained levels of flexibility and income and employment security when employers and employees have more options to meet their demands and preferences for various contract types and working time options. Employers want more leeway to adapt the length of employment contracts and working times of their labour force to match market demands and to manage the vagaries of the business cycle. At the same time, employees need more options to suit their preferences for flexible working time to improve their work–life balance, particularly during the ‘rush hour’ of their life course when working, caring and education pressures come together.

Allowing flexible working time arrangements for workers to combine working and caring or education activities is likely to have a positive effect on motivation, effort and productivity. If workers are granted more working time options, this will enhance their employability and flexibility, and will improve their chances of staying employed and better protect their income and employment over the life course. On the one hand, the increasing proportion of flexible employment contracts implies that workers have more opportunities to realise their working time preferences. On the other hand, the spread of flexible contracts may just mirror the unfavourable employment prospects for people for whom flexible contracts are second-best solutions or substitutes for a permanent employment contract.

² The term ‘labour market mobility’ used in this project embraces a variety of mobility forms. It includes: job or occupational mobility in the internal and external labour market; contract mobility – that is, the mobility between a flexible employment contract and a permanent job or self-employment; exit mobility out of a job; and re-entry mobility from non-work into employment. The concept of flexibility used here therefore pertains to a labour market with a high level of labour market mobility.

In a purely theoretical or ideal world, there might be no trade-offs. But in reality there are always winners and losers when the aim is to create a better balance between flexibility and income and employment security. Whether the theoretical presumptions of either the trade-off or the flexicurity theses therefore hold ground in day-to-day reality should be the subject of empirical study. To date, little research has examined these conjectures from a longitudinal or life-course perspective. This study aims to fill this gap, at least partially.

Welfare regimes

In both the trade-off and the flexicurity theses, the role of institutional constraints in a flexible labour market that is able to safeguard income and employment security seems to be of crucial importance. According to the trade-off thesis, labour markets that are more tightly regulated – for example, through minimum wage regulations, restrictive benefit systems, centralised wage bargaining and strict employment protection rules – might work less efficiently due to a lack of flexibility and are therefore less capable of safeguarding income and employment security. Strict regulations with respect to wage bargaining and employment protection will leave employers with few opportunities to swiftly adapt wages and the labour force to match fluctuations in demand.

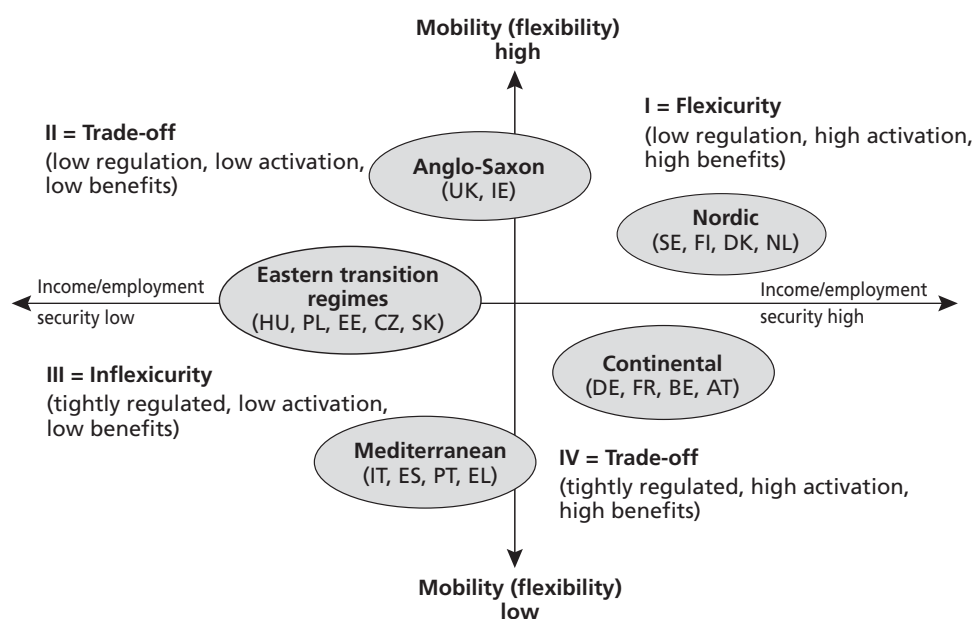
The effects of strict regulations can also refer to working time arrangements. If there are few opportunities for employees and employers to adapt working times to their needs in terms of a work-life balance or in terms of the need for adjustment to reduced demand, this will curtail the efficient operation of the labour market and only allow for a restricted level of flexibility. Ultimately, this situation will jeopardise the level of income and employment security.

The flexicurity thesis also assigns a large role to institutions since it assumes that activating policies should aim at ‘making transitions pay’ (Schmid and Gazier, 2002) by building ‘institutional bridges’ to smooth transitions, for example, from unemployment to employment or from one life domain into another. In a life-course perspective, this model aims to facilitate workers in reconciling work and caring duties or work and learning activities over the life course.

Figure 1 presents the ways in which countries and regimes may be clustered according to welfare regime, as placed in a flexicurity quadrant. The figure shows the theoretical relationship between flexibility and income and employment security.

The level of income and employment security is shown on the x-axis and the level of labour market mobility or flexibility on the y-axis. The lines drawn through the origin depict the EU average in terms of the level of flexibility (labour market mobility) and income and employment security. According to their institutional characteristics, countries cluster around a limited number of welfare regime types. The literature generally seems to agree on using the so-called modified Esping-Andersen typology consisting of four regime types: liberal or Anglo-Saxon, social democratic or Nordic, corporatist/conservative or Continental, and southern or Mediterranean (Esping-Andersen, 1990; Ferrera, 1996; Goodin et al, 1999).³ This study will follow the approach adopted in the European Commission’s 2006 *Employment in Europe* report in which a geographical labelling is used for the various regimes instead of a socio-political one as Esping-Andersen did.

³ The Danish sociologist Gøsta Esping-Andersen developed a typology of three forms of welfare state: liberal, conservative/corporatist and social democratic. A fourth – southern or Mediterranean – type is now very often included in the model to capture the particular situation in these EU Member States.

Figure 1 Welfare regimes and flexicurity

Source: Derived from Muffels and Luijkx, 2006

The Nordic regime, covering the Scandinavian countries and the Netherlands, is expected to attain a high level of labour market flexibility due to its low level of employment protection legislation. At the same time, this regime provides substantial income and employment security due to a generous benefit system, a tightly regulated collective bargaining system on employment and active labour market policies. A potential cost may arise, however, in keeping the least productive workers at work and in relation to the generous social security system. The Anglo-Saxon regime, including Ireland and the UK, is presumed to be strong in terms of flexibility due to low employment protection, but weaker in terms of income and employment security due to the absence of active labour market policies and lower levels of income and employment protection. The Continental regime, covering Austria, Belgium, France and Germany, might not perform particularly well as regards labour market flexibility due to its strong employment protection legislation, but may fare better in terms of safeguarding income based on high benefit levels and employment security, with active labour market policies. Although generalisations should be viewed with caution, the southern European regime, including Greece, Italy, Portugal and Spain, seems to combine a low level of flexibility, due to strong employment protection, with low levels of income – based on an immature social protection system – and employment security, due to a segmented labour market aimed at the protection of insiders.

As in the *Employment in Europe* report, this study adds a fifth regime type for the former socialist or eastern European transition countries. The rationale is that, because of their specific past, these states do not share many characteristics with the other four regime types. They are different in terms of their higher levels of flexibility due to less rigid employment protection rules, although significant differences emerge across the countries. Bulgaria and Romania share an unregulated but insider-protecting, segmented labour market, with much flexible and casual work for particular vulnerable groups. However, unlike the Mediterranean countries, there is hardly any employment protection regulation (Jager et al, 2004). The Czech Republic and Hungary share higher levels of state regulation, while Poland sets itself apart from the other former socialist countries by having moderate levels of regulation and higher levels of income support.

The macro-level perspective has been applied firstly in constructing a numerical flexibility score, and the regime typology based on that score (WP1 in Annex 1), using data from the Foundation's Establishment Survey on Working Time and Work–Life Balance (ESWT 2005). The study also considers the macro-level perspective in comparing the short and medium-term effects of flexible employment contracts and part-time work across countries using data from the ECHP, which enables a comparison of countries' performance in balancing labour market mobility and employment security (WP3 in Annex 1).

Company or meso-level perspective

Working time arrangements are essential to workers in balancing their work and private activities and responsibilities. They are also crucial for companies in the management of market demands and production capacity. Looking at working time arrangements as part of companies' HRM policies from a life-course perspective, there is obviously a need for coordination on the following different levels:

- From the individual workers' perspective, their different activities at a certain career phase have to be reconciled; in particular, paid work has to be combined with other social activities at a given moment. This may be called a first level of synchronisation. The workers' wishes and potential will differ according to their gender, age, education, family context and interests.
- At the same time, a life-course oriented company policy has to address the 'diachronisation' and follow-up of different phases throughout the career or life course of individuals, since the individual worker's situation is not stable but can change over the career or life course.
- In addition, a life-course perspective requires coordination between the companies' business cycles and their employees' life cycles. Business cycles have become shorter and less predictable, and they are not necessarily congruent with the workers' time horizon. Companies have to adjust to fluctuations in market demands and the overall need to ensure and enhance competitiveness. Thus, a second level of synchronisation – business needs versus individual workers' needs – can be identified. Evidently, working time arrangements are key to synchronising business and workers' needs and requirements.

The flexibility needs of employers and employees can be contradictory, but they may also overlap. HRM aims at the recruitment, retention – by offering qualifications or other forms of motivation – and reduction of personnel in order to optimise the company's profit and continuity over time. Adapting the workforce to market fluctuations by dismissals and lay-offs, that is, through external flexibilisation, usually interferes with employees' preferences for long-term income and employment security. Flexible working time schemes smooth the adaptation process and seem therefore more suited for the company to adapt to the vagaries of the market and simultaneously meet the interests of the employees. Overall, the following observations may be made:

- Flexible working time can be a way to adjust production to alternating situations regarding work orders and to improve capacity utilisation.
- Lifetime working time accounts that allow employees to retire gradually can help companies to reduce their staff in a socially acceptable way and to avoid costs in the context of employment protection law.

- In addition, companies use phased retirement options through long-term working time accounts to keep a relatively young staff profile and to hire new employees according to new qualification requirements.⁴

Generally speaking, flexicurity options can be regarded as adapting exchange relationships between the employer and employees, and good practices emerge where this adaptation process leads to a synchronisation of interests. HRM cannot only look at the employer's interests when defining the conditions of the employment contract. The size and composition of the available labour force and the working time preferences of the (potential) employees also have to be taken into account. At the same time, the labour supply is influenced and restricted by the employees' personal demands and preferences – for example, for flexibility and income and employment security – as well as by their family situation and other aspects of life. The relationship between the company and the worker, on the one hand, and between worker and family, on the other, should therefore be seen as two exchange relationships that have to be accommodated.

It must be acknowledged that the changing and differentiating needs and preferences of employees, the so-called individualisation process, have made it more difficult for companies to predict the career development of a young employee at the time of recruitment. Since male and female employees are less likely to follow traditional pathways to the same extent as before, companies have to bear higher risks when investing in their personnel. A young manager might change interests and working time preferences rapidly over the career, due to marriage, divorce or changing individual preferences, for example, for a sabbatical or care leave. For these reasons, companies' working time policies and other HRM policies allow some potential for matching employers' and employees' needs from a life-course perspective. However, companies cannot fulfil all of their employees' life-course needs.

The company or meso-level perspective has been applied in the secondary analysis of some existing company case studies. This study is particularly interested in innovative working time arrangements as part of the company's HRM policy to match the long-term interests of the employer and the employee (WP2 in Annex 1). The results of this analysis are discussed in Klammer et al (2007).

Individual or micro-level perspective

Life courses have changed. The standard three-partitioning of the life course into a) childhood and education, b) participation in the labour market and c) retirement has developed into much more differentiated patterns. The timing of each phase and the type and frequency of the transitions that people are confronted with over the life course have become more diverse, thereby blurring the borderlines between the three stages. Moreover, it appears that these stages are no longer sequential phases, but rather may occur simultaneously – for example, when paid work is combined with caring or training, or when somebody continues to work after retirement age. Due to prolonged education and postponed entry into the labour market, it is possible to identify an intensified 'rush hour of life' for people aged between 30 and 50 years who are confronted with the concurrence of family-formation events and work-associated events. At the same time, this 'rush hour' only affects a part

⁴ In Germany, companies show a growing interest in these options due to the upcoming cancellation of the present partial retirement scheme (*Altersteilzeit*), as well as the planned increase of the legal retirement age from 65 to 67 years.

of the younger groups due to a substantial decline in fertility and increase in childlessness in almost all western industrialised countries (see Anxo et al, 2005). However, the need to care for elderly people will continue to increase due to the ageing of the population in western European societies and a growing number of people of working age will be confronted with such caring responsibilities. This leads to individually shifting needs for working and caring time over the life course.

Often neglected in research on working time is the impact of the household context, as well as the impact of changing gender roles. The labour supply and working time preferences, particularly of women, depend to a large degree on the changing household context. As numerous studies have pointed out, there is a clear trend towards an 'adult worker model' in western European welfare states. This means that adults of both sexes are increasingly expected to earn their own money in the labour market and to be financially independent. With the increasing share of dual-earner families, however, new working time arrangements and new options for planning one's life course are needed to fulfil caring, learning and working duties and to achieve a better work-life balance. The call for more options for the reconciliation of the individual's various life-course domains becomes even more pressing due to the alleged increasing responsibility of workers to ensure their own employability.

In general, due to the developments outlined above, it can be assumed that employees have different needs for combining working, caring and learning tasks over the lifetime and also different working time preferences according to their life-course stage at a given point in time. Furthermore, it can be assumed that, in many cases, working time needs are not stable over the working life but might change due to people's changing personal and household conditions, their increasing age or changes in financial situation and individual preferences.

The micro-level perspective is applied in the part of the research that applies an examination from a life-course perspective (WP4 to WP8 in Annex1).

Main findings and policy implications

3

This chapter summarises the evidence from the eight working papers undertaken, as outlined in Annex 1, and is structured around the analyses at country, company and individual level. Most of the substantive and policy implications are defined in such a way as to be self-evident. However, for the sake of clarity, the chapter briefly introduces each question addressed in the working papers to explain its content and purpose, and adds some overall comments at the end.

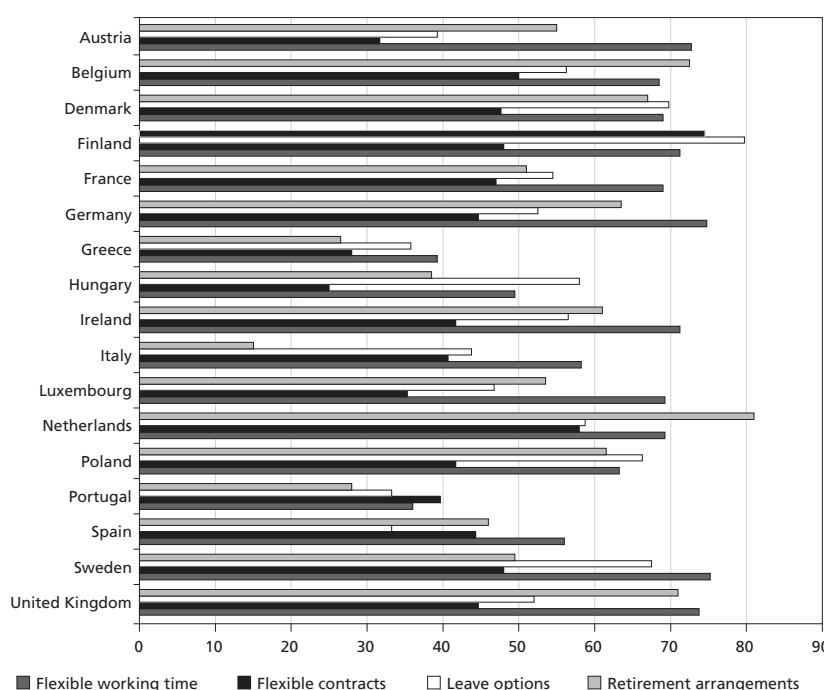
Country or macro-level analysis

Contract and working time flexibility: The construction of the country typology

Although the information on employment contract and working time flexibilisation practices comes from company-level data, the research has used the information to arrive at a classification of countries based on the availability of options or arrangements within companies. The first working paper (WP1) addressed the question of how countries cluster according to company practices with regard to offering flexible working time arrangements to their employees. The study prepared an index for the level of employment contract and working time (or numerical) flexibility in a country based on the ESWT company-level data.

The first step involved constructing weighted scores on the availability of employment contract and working time arrangements established by companies for their workers. Figure 2 shows the average percentage of companies that have made available to their workers the various forms of employment contract and working time flexibility options.⁵

Figure 2 Companies with particular types of flexible contract and working time arrangements, by country (%)



⁵ The research calculated percentages of companies that have established a particular type of arrangement, weighted with the proportion of employees. Only four types of arrangements are presented here but, in reality, each type consists of various single arrangements. The percentage given is the average of the percentages for the various arrangements. For flexible working time, these are: part-time work, unusual working hours, flexible working time and overtime. For leave options, these are: parental leave, care leave, educational leave and other leave. For flexible contracts, these are: fixed-term work, temporary agency work and freelance work. The last type consists of early and phased retirement arrangements.

The variation in the availability of these different types of working time and contract arrangements is rather large. The data reveal that flexible working time arrangements of all types are most common in the 21 European countries covered by the Foundation's ESWT (only 17 of which are shown in Figure 2).

The variation is also very large among the single arrangements that comprise each of the four broader headings shown in Figure 2. For example, with respect to part-time work, in the Netherlands as much as 95% of all employees work in companies that offer part-time work options, whereas this is the case for only 17% of employees in Portugal and 19% in Greece. Early retirement is very common within companies in the Netherlands (83%), but much less so in Italy (18%), Greece (43%) or Portugal (44%). Furthermore, care leave schemes are very common in the Nordic countries of Denmark (87%), Finland (74%) and Sweden (52%), but much less common in the southern countries, with Portugal at 31%, Spain at 33% and Greece at 34% (Table 3).

Table 3: Percentage of workers employed in companies that have various working time options, by country

	Part-time work	Unusual working hours	Flexible working time	Over-time	Parental leave	Care leave	Educa-tional leave	Other leave	Temporary employment				Early retire-ment	Phased retire-ment
									Total	Fixed-term con-tracts	Tem-porary agency work	Free-lance con-tract		
Belgium	87	57	48	82	81	63	48	33	86	66	64	20	69	76
Denmark	80	48	60	88	71	87	76	45	78	58	63	22	70	64
Germany	90	53	63	93	78	48	49	35	83	76	32	26	62	65
Greece	19	46	30	62	66	34	23	20	59	45	9	30	43	10
Spain	52	56	45	71	50	33	26	24	86	80	38	15	62	30
France	80	67	49	80	78	40	65	35	89	80	49	12	59	43
Ireland	74	63	57	91	70	66	55	35	70	66	37	22	72	50
Italy	62	46	42	83	68	51	30	26	77	60	31	31	18	12
Luxembourg	76	65	44	92	83	31	45	28	69	54	44	8	73	34
Netherlands	95	47	53	82	72	68	50	45	89	84	62	28	83	79
Austria	85	51	63	92	73	30	33	21	63	42	34	19	44	66
Portugal	17	39	25	63	55	31	21	26	92	90	16	13	44	12
Finland	71	51	71	92	91	74	88	66	93	90	32	22	85	64
Sweden	89	48	73	91	95	52	78	45	91	86	35	23	46	53
UK	85	67	57	86	78	55	44	31	79	65	51	18	78	64
Czech Republic	67	55	55	91	76	50	55	32	97	95	16	45	97	40
Cyprus	37	64	15	83	63	29	38	31	57	45	7	38	56	18
Latvia	61	68	58	57	76	30	57	35	66	60	12	21	80	38
Hungary	56	43	43	56	76	70	63	23	60	55	15	5	55	22
Poland	77	52	54	70	65	72	61	67	86	75	5	45	86	37
Slovenia	56	52	38	83	76	40	57	34	92	81	60	24	51	14

Source: ESWT, 2005

A subsequent step tested the country classification by employing a principal component factor analysis on the various types of arrangements included in the ESWT 2004/2005. The objective was to examine which working arrangements served mainly employees' needs, which served mainly the needs of employers, and how countries cluster in terms of these. The results show a classification into three factors (Table 4). The employee factor contains only the long-term leave schemes for care, education or other purposes. In most cases, the parental leave scheme is a company's facility for the short term and thus is found in the employers' factor, which also contains a combination of unusual working hours, overtime and non-standard employment contracts. The latter consist of three types

of arrangements: fixed-term contracts, temporary agency work, and freelance contracts. The joint employer/employee factor consists of items such as part-time work, flexible working time arrangements and early and phased retirement (see Chung and Muffels, 2006).

Table 4 Classification of contract and working time arrangements according to which needs they serve most

Serving the flexibility needs of:	Type of arrangements
Mainly employee	<ul style="list-style-type: none"> – Long-term care leave – Education leave – Other long-term leave schemes
Mainly employer	<ul style="list-style-type: none"> – Parental leave – Unusual working hours – Overtime – Non-standard employment (fixed-term contracts and casual work; temporary agency work; freelance and on-call contracts)
Employer and employee jointly	<ul style="list-style-type: none"> – Part-time work – Flexible working time arrangements – Phased retirement – Early retirement

Source: Chung and Muffels, 2006

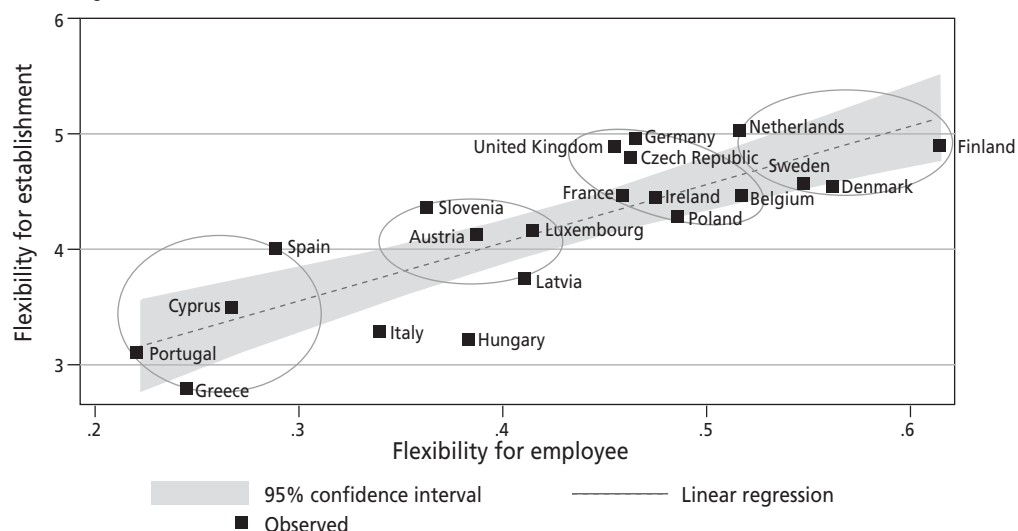
The ESWT also provides information on whether the arrangements belonging to the joint factor were primarily established for the sake of the employer or the employee. This reduced the scope to two factors only and a hierarchical cluster analysis was applied to rate the countries on both factors. Figure 3 (overleaf) shows the results. It is clear from these findings that the employer and employee flexibility factors are strongly and positively correlated. The regression coefficient is .66. This suggests that countries score either low on both dimensions, such as the Mediterranean countries, or high in both respects, such as the Nordic countries. The former countries seem slightly more focused on serving the employers' needs, whereas the latter group appear more focused on facilitating the preferences of employees. Anglo-Saxon and Continental countries are located in the same cluster, while the eastern transition countries, such as the Czech Republic, Hungary, Latvia and Poland, seem not to belong to a separate cluster but rather to different clusters.

Although the clustering resembles the grouping presented earlier in Figure 1, based on the flexicurity analysis, clear differences emerge with respect to the position of Ireland and the UK, as well as the eastern transition countries.

The first working paper further examined the extent to which countries with higher levels of employment contract and working time flexibility also attain higher levels of employment security⁶. The results confirm that both are related, although the relationship appears to be rather weak (see Chung and Muffels, 2006). The clustering of countries does not seem to be affected except that some countries (Finland, Luxembourg and Portugal) behave very differently from their natural cluster.

⁶ A static employment security indicator was prepared, being a composite employment and unemployment index calculated on macro-economic data derived from Eurostat for 2000. The employment index is the average job tenure multiplied by the employment rate, weighted with the level of subjective security for the various types of jobs: permanent contract, flexible contract and self-employment. The unemployment index is the sum of short and long-term unemployment rates, weighted with arbitrary security weights of -1 and -3 respectively (see Chung and Muffels, 2006).

Figure 3 Employer and employee contract and working time flexibility scores, cluster analysis for 21 EU countries



Note: Flexibility for the establishment = $.202 + .507$ multiplied by flexibility for the employee; Regression coefficient (R^2) = .66.

Source: ESWT, 2004/2005

The main conclusions of the findings are outlined below.

- The distribution of employment contract and working time flexibilisation arrangements is very dissimilar across countries and welfare regimes.
- Anglo-Saxon and Nordic countries exhibit higher levels of contract and working time flexibilisation and also attain higher levels of employment security than Mediterranean countries do.
- Overall, two separate components of flexibility exist: one which facilitates employers' needs and another which serves the needs of employees in terms of working time flexibility – these appear to be strongly correlated.

The general conclusion must be that levels of employment contract and working time flexibility vary considerably across countries. The high correlation between the two types of flexibilisation shows that both are either high, such as in the Nordic countries, or low, such as in the Mediterranean countries. From a policy point of view, the lessons to be learned may be summarised as follows.

- Countries seem to follow their own specific path, with varying success in attaining high levels of working time flexibility and at the same time attaining high levels of employment security. These results provide a warning against too easily formulated claims for a 'one size fits all' approach or for convergence policies in general at EU level.
- Policies could aim at accommodating employers' and employees' needs by offering life-course-related working time options, such as part-time or phased retirement, sabbaticals, paid leave schemes or working time accounts.

Relationship between labour market mobility and employment security

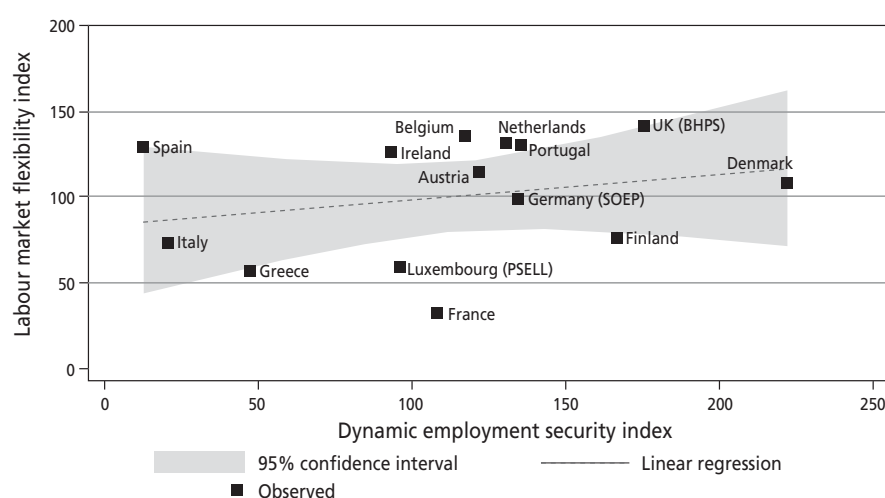
The third working paper (WP3) again examined the relationship between flexibility and security, but this time from a dynamic perspective using empirical data from the ECHP longitudinal survey of 14

EU Member States. To investigate that relationship, the research first developed dynamic measures for flexibility indicated by contract and occupational mobility and dynamic employment security.⁷ The analyses were based on the ECHP panel data for eight years, from 1994 to 2001. The countries and the earlier developed contract and working time regime typology (Figure 3) were plotted onto the labour market mobility and dynamic employment security variables to view the location of the countries and regimes. Figures 4 and 5 show the results of the analysis.

From Figure 4, it becomes clear that, of the southern cluster, Greece and Italy perform more or less similarly, but Portugal performs much better, both in terms of mobility or flexibility and employment security. Ireland does not seem particularly close to the UK with respect to safeguarding dynamic employment security. Moreover, Finland has – as a Nordic country – lower levels of flexibility and security than Denmark. The Netherlands is also at some distance from the Scandinavian countries: it has high levels of flexibility but lower levels of dynamic employment security.

Nonetheless, looking at Figure 5, the conclusion must be that the theoretical clustering is more or less confirmed by the empirical analyses, although some countries (Finland, Luxembourg and Portugal) do not fit nicely into their natural clusters. This confirms the study's earlier results based on employment contract and working time flexibility.

Figure 4 Relationship between labour market flexibility and dynamic employment security, by country

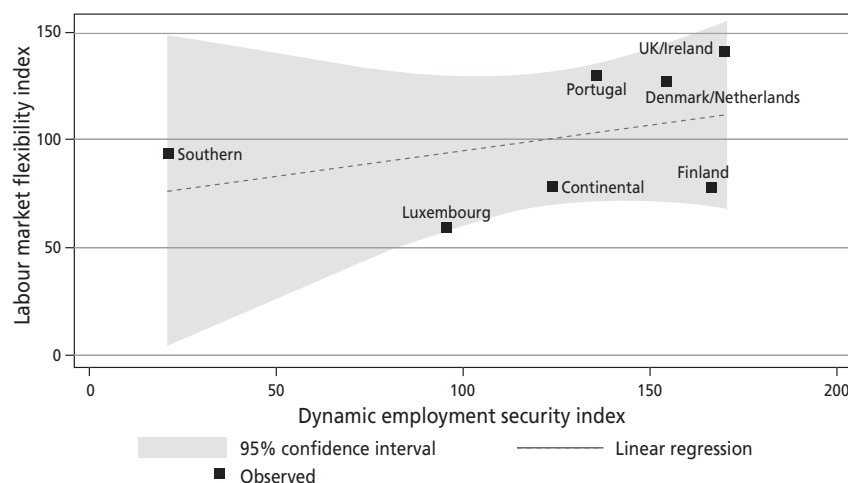


Notes: Labour market flexibility index = $85.248 + .148$ multiplied by the dynamic employment security index; Regression coefficient (R^2) = .0589. Information for 14 countries, Sweden excluded (EU15 = 100). Weighted with longitudinal weight and proportional country weight.

Source: Eurostat, ECHP 1995–2001

⁷ The dynamic mobility measure and the dynamic employment security measure are calculated from the ECHP. The starting point is the annual transition matrix of the various occupational levels (professional worker, skilled, clerical, unskilled/service worker) for the mobility measure and the various forms of employment status (permanent contract, flexible contract, self-employed, unemployed, inactive) for the employment measure. The annual transitions are, however, cumulated over the six pairs of years (1995/96; 1996/97; 1997/98; 1998/99; 1999/2000; 2000/01). The mobility measure is the annual transition probability from one level into another averaged over the six years. The dynamic employment security measure is the sum of the annual staying probabilities in employment plus the entry rate into employment minus the exit rate out of employment averaged over the six years.

Figure 5 Relationship between labour market flexibility and dynamic employment security, by constructed regime type



Notes: Labour market flexibility index = $71.303 + .2387$ multiplied by the dynamic employment security index; $R^2 = .156$. Information for 14 countries, Sweden excluded (EU15 = 100). Weighted with longitudinal weight and proportional country weight.

Source: Eurostat, ECHP 1995–2001

The following step tried to explain the labour market mobility patterns observed during the mid and late 1990s. Multinomial logit models were estimated to explain the yearly transitions in the labour market. This was done separately for the transitions from one employment contract status into another (contract mobility) and for the transitions from one occupational status into another (occupational mobility). For each of the two – contract and occupational mobility – the study estimated three different models:

1. the institutional model, which examined the impact of various institutional variables;⁸
2. the country model, which included country dummies but left out all other institutional measures to examine the sole impact of country on the transition probabilities;
3. the regime type model, which included the constructed contract and working time flexibility typology while leaving out other institutional measures in order to examine the sole impact of regime type.

The underlying idea was first to see the extent to which each separate institutional variable – including the extent to which flexible working time options are available in a country – can explain the country differences in terms of employment contract and occupational mobility. Second, the aim was to test whether a model with practical policy or institutional measures would perform as well as a model based on rather abstract notions of policy regimes. The study shows interesting results concerning the impact of the various institutional variables on the attained balance between flexibility (indicated by the level of contract and occupational mobility) and employment security.

⁸ The variables included in the institutional model were aimed at measuring the level of institutional flexibility in a particular labour market. A total of four variables were included: a) the availability of employment contract and working time arrangements at company level in order to measure the country's level of contract and working time flexibility; b) the inverse of the overall strictness of the employment protection legislation (EPL) as given by the overall EPL measure of the Organisation for Economic Cooperation and Development (OECD); c) the inverse of the strictness of the employment regulation for temporary workers as given by the OECD's EPL measure for temporary workers; and d) the OECD's five-year overall income replacement rate, including social assistance.

The main conclusions of the research findings are summarised below.

- The Nordic and Anglo-Saxon regimes, showing more flexibility and more dynamic employment security, seem to perform better than the Continental and southern regimes, with lower flexibility and lower employment security levels.
- The strictness of employment protection rules, the level of the overall benefit replacement rate and the availability of contract and working time flexibility arrangements at company level exert significant effects on labour market mobility.
- Benefit replacement rates exert no impact on occupational mobility, but they do on contract mobility. The higher benefit replacement rates are, the more likely it is for workers in flexible contracts to move into unemployment and the less likely to move into inactivity.
- The more leeway the employment protection legislation (EPL) offer to employers to hire and fire temporary workers, the lower the occupational mobility (upward and downward) of these workers is. However, the less strict the overall EPL is, the higher the occupational mobility of these workers and the less likely for them to move into unemployment.
- The company's provision of flexible contracts or flexible working time arrangements exerts a positive effect on moving into a permanent job for workers on flexible employment contracts.

The findings support the flexicurity thesis, showing that national policies which aim to improve the flexibility of the labour market are more successful in attaining high levels of dynamic employment security. This is demonstrated by the examples of the Anglo-Saxon countries (Ireland and UK) and two countries in the Nordic country cluster (Denmark and the Netherlands). The results also underline that regulated labour markets, such as in the southern countries and to a lesser extent also in the Continental countries, exhibit a much less favourable record in maintaining the balance between flexibility and employment security. The southern regulated labour markets exhibit high levels of contract flexibility as well as low levels of employment security. They are therefore located in the inflexibility–insecurity part of the flexicurity quadrant (Figure 1). The Continental countries exert low levels of flexibility, but at the same time show high levels of employment security, thereby exhibiting a trade-off between labour market flexibility and employment security. The policy implications are summarised below:

- A 'one size fits all' policy approach is likely to be ineffective due to the large variation in the countries' performance record in balancing flexibility and security.
- Policies should acknowledge that regimes do not tend to converge strongly over time. Policies should therefore allow countries to follow their own path-dependent roads, particularly when these roads appear successful.
- The best way is not to drastically depart from countries' historical paths and/or seek a radical overhaul of the existing institutions, but rather, by gradually shifting their policies and institutions, to arrive in the end at a better balance between flexibility and security.
- Policies should be aware of the impact of their measures on the flexicurity balance.
- Policies aimed at improving the flexibility of the labour market by removing obstacles in the regulatory setting to create a more flexible labour market are also more successful in attaining high levels of employment security ('flexicurity').

- Policy regimes might learn from successful examples elsewhere, although cross-border transferability might easily be ineffective unless it takes account of country-specific institutions and cultures.

Individual or micro-level analysis

The major part of the research in the project was devoted to the examination from a life-course perspective of non-standard work forms at an individual level. This part of the research examined the evidence to assess the medium and longer-term effects on the future career of working on a flexible employment contract and in part-time work. The research focused on the longer-term effects on employment status and on future wages.

Short and medium-term effects of working on a flexible contract

The research for the fourth working paper (WP4 in Annex 1) started with a focus on the short and medium-term effects of working on a flexible or fixed-term employment contract. The basic idea was that flexible contracts might act as ‘stepping stones’ or entry jobs for moving into permanent jobs later in the career. However, the alternative view was that they might also be viewed as ‘dead-end’ jobs in which people are trapped without many opportunities to escape, even in the longer term. If the dead-end thesis holds, research should find that the ‘scarring effects’ of such flexible employment contracts are persistent over time. The examination was carried out on the longitudinal EHCP dataset for 14 countries. The results are presented in Figure 6, which shows the percentage of workers moving within a period of one, three and five years into a permanent job or into unemployment, according to the study’s regime type classification.⁹

Figure 6 reveals that, for the majority of people working on flexible contracts, these jobs do not act as a dead end but rather as stepping stones into permanent jobs. However, the employment and wage (career) prospects that these jobs offer seem rather dissimilar across countries and regime types. They act as stepping stones particularly in Anglo-Saxon, Nordic and to a lesser extent in Continental countries, but much less so in the southern countries.

Next, the research examined changes in real hourly wages in one, three and five-year time intervals after workers on flexible contracts had moved into permanent jobs. The focus was on the wage penalty i.e. the negative difference in the pay of workers on flexible contracts who had moved to a permanent job, relative to the pay of workers who always been in a permanent job. The main finding is that, in all countries, it takes some time to recover from the initial scarring effects (see Figure 7). This is the case even in Anglo-Saxon countries (Ireland and the UK), where the initial wage penalty is high at 15.6%, but rapidly falls over a period of three years to 12.1%, and over five years to 5.5%. The same is true for Continental countries and Nordic countries, the latter having the lowest wage penalties. Southern European countries show the highest initial wage penalty, with very little reduction over time.

These overall findings on flexible jobs are further confirmed by using information over a period of eight to 10 years for the Netherlands and the UK. Compared with workers in permanent jobs, those on flexible contracts have impaired chances, even in the longer run, of being employed in stable

⁹ For reasons of presentation, the three atypical country cases (Finland, Luxembourg and Portugal) are included in their natural clusters.

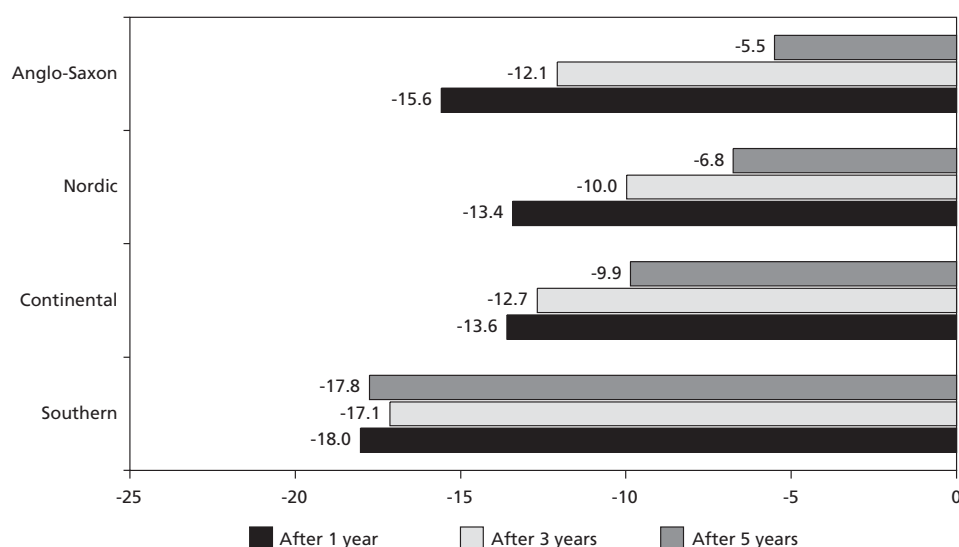
employment. They also report much lower hourly wages, recovery from which takes some time. For the Netherlands, the wage penalty was 9.6% after eight years; for the UK, it was 7.7% after 10 years.

Figure 6 Workers moving from a flexible contract into another situation, by time and regime type (%)



Source: ECHP, 1995–2001

Figure 7 Wage penalties for workers in flexible contracts compared with wages of permanent workers, by time and regime type (% of wage)



Note: The wage difference was initially set at 0 and then compared after 1 year, 3 years and 5 years.

Source: ECHP, 1995–2001

The working paper further elaborated certain statistical models to test the effects of labour market institutions and of country and regime type on the future employment position and on the future wages of workers currently working on flexible contracts. The models used the ECHP longitudinal data for 14 countries. The results show that, after correction for a number of socio-economic characteristics (such as educational level, sector, unemployment history and other household labour income), the scarring effects tend to become much smaller over time, especially in the Anglo-Saxon and Nordic regimes.

The results of the empirical examination of the medium-term effects of flexible contracts can be summarised as follows:

- The majority of flexible employment contracts are not dead-end jobs in which workers are trapped during the entire career. Compared with permanent employees, these workers have impaired chances, but compared with unemployed people they have improved chances of catching up from the initial adverse career effects.
- The scarring effects of working on a flexible employment contract become smaller over time, but seem to persist even over rather long time periods of 10 years.
- The less strict the hiring and firing regulations for temporary workers are, the more opportunities they have of getting a permanent job. The less strict the employment regulations overall are, the less likely the temporary workers are to enter unemployment.
- Clear disincentive effects are found in terms of income replacement rates: the higher the rate is, the lower the chances of moving into permanent employment later in the career.
- As the career progresses, the smaller the scarring effects on employment and wage prospects. After controlling for a number of personal characteristics, the scarring effects gradually become insignificant except in countries with low levels of flexibility and employment security (southern countries).
- In Ireland and the UK, the adverse effects on employment prospects and wages are lower than in Continental or southern regimes, and workers tend to recover faster in these regimes. This is probably due to the higher level of institutional flexibility in the labour market.

Policy implications

The implications for policies are rather straightforward and are summarised below.

- Even though flexible contracts act for most workers as stepping stones into a better job, policies are needed to strengthen employment security and the employment prospects for workers on such contracts; these policies should take into account the large diversity between the various categories.
- Policies should try to remove the barriers for mobility by improving the level of institutional flexibility of their labour markets to avoid insider-outsider problems and to reduce the scarring effects of working in non-standard jobs.
- Activating policies should try to create employment opportunities for unemployed people and workers on flexible contracts ('spring boards') and to improve risk-taking by individual actors.
- Employment-sustaining policies at company level are therefore needed which might create mobility opportunities and job openings in the internal labour market.

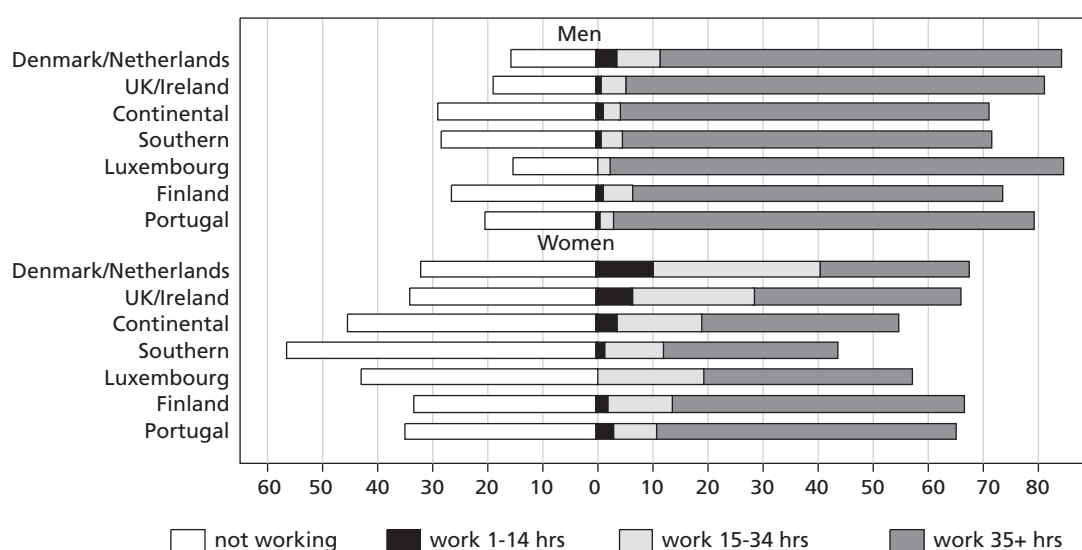
- The stronger the barriers to flexibility, the poorer the levels of employment security and the greater and more persistent the scarring effects tend to be. In such cases, there is need for flexicurity policies to remove the barriers to labour market mobility and to improve the employment security of more vulnerable groups.

Short and medium-term effects of part-time work and caring

The following step in the empirical analysis of labour market flexibility examined the scarring effects of working part time on future labour market participation and on the number of hours of work that people then work. The study was particularly interested in the career effects when working and caring duties have to be combined, such as is the case after childbirth. The research examined not only the effect on future employment but also the impact of working part time and of childbirth on the future net household income. The analysis used the information pertaining to 15 countries: 14 EU countries from the ECHP and one economic transition country, Hungary. The fifth working paper (WP5) reports the findings.

The first observation concerned the different meaning of part-time work for men and women, which did not come as a surprise. Men seem to avail of part-time employment primarily as a transitory state into full-time employment, whereas women use it to enable them to better combine working and caring duties and thereby to improve their work–life balance. This empirically based finding seems to mirror the continuing dominance of traditional roles in supporting norms and behaviour in society. Men tend to remain in full-time work after childbirth and are not much inclined to adapt their labour market behaviour due to the birth of a child. The study focused particularly on the role of institutions in mitigating the scarring effects of part-time work and caring duties after childbirth. It examined the institutional effect according to the earlier developed contract and working time regime typology. Figure 8 shows the participation of men and women according to number of working hours and the constructed regime typology.

Figure 8 Labour market participation of men and women, 18–64 years, by regime type, 2001* (%)



Note: * 1997 data for Hungary.

Source: ECHP, 1994–2001, Eurostat.

It is clear from the outset that the distribution of working hours by gender varies widely across the various regimes (Figure 8). Women tend to work much more hours in the Nordic and Anglo-Saxon countries than in the Continental or southern countries.

The analysis was able to look five years ahead to investigate the scarring effects of part-time work on the future employment and income position of part-time workers. Empirical analysis shows that part-time positions imply less stability for men (Table 5). Less than half (47%) of all men in part-time jobs (working between 15 and 34 hours per week) are still working part time one year later, while around a third (34%) have made the transition to full-time employment. Workers in short-hours part-time jobs (working only between one and 14 hours per week) have an even less stable pattern of employment: only 28% are still working in such part-time jobs one year later. About a third (34%) have stopped working and about a quarter (26%) have made the transition to full-time employment.

Table 5 Transition rates in employment status for men (%)

	Status in t+1				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	78	2	3	18	100
1–14 hours	34	28	12	26	100
15–34 hours	17	3	47	34	100
35+ hours	7	0	2	91	100
	Status in t+3				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	65	2	4	30	100
1–14 hours	28	14	13	45	100
15–34 hours	21	2	33	44	100
35+ hours	11	0	2	86	100
	Status in t+5				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	53	2	5	40	100
1–14 hours	27	6	11	56	100
15–34 hours	23	1	27	49	100
35+ hours	14	0	2	83	100

Note: Figures are for men aged between 18 and 64 years. They indicate the transition rates in employment status, between the first observation (t) and one year later (t+1), three years later (t+3), and five years later (t+5).

Source: ECHP, 1994–2001 (Eurostat); HHS 1992–1997 (TÁRKI)

The stability in terms of non-participation is greater among women: 86% of women are still absent from the labour force one year later (Table 6). Part-time employment (whether regular hours or short hours) is also more stable than is the case for men: 47% of women remain in their short-hours part-time position, and 69% remain in their regular part-time position. This could mean that part-time employment has a more structural nature for women.

Table 6 Transition rates in employment status for women (%)

	Status in $t+1$				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	86	2	4	7	100
1–14 hours	26	47	19	8	100
15–34 hours	13	4	69	14	100
35+ hours	9	1	6	84	100
	Status in $t+3$				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	78	3	7	11	100
1–14 hours	30	32	23	14	100
15–34 hours	20	4	57	19	100
35+ hours	16	1	9	74	100
	Status in $t+5$				Total
	Does not work	1–14 hours per week	15–34 hours per week	35+ hours per week	
Status in t					
Does not work	72	4	9	15	100
1–14 hours	32	24	27	17	100
15–34 hours	24	4	49	22	100
35+ hours	21	1	11	67	100

Note: Figures are for men aged between 18 and 64 years. They indicate the transition rates in employment status, between the first observation (t) and one year later ($t+1$), three years later ($t+3$), and five years later ($t+5$).

Source: ECHP, 1994–2001 (Eurostat); HHS 1992–1997 (TÄRKI)

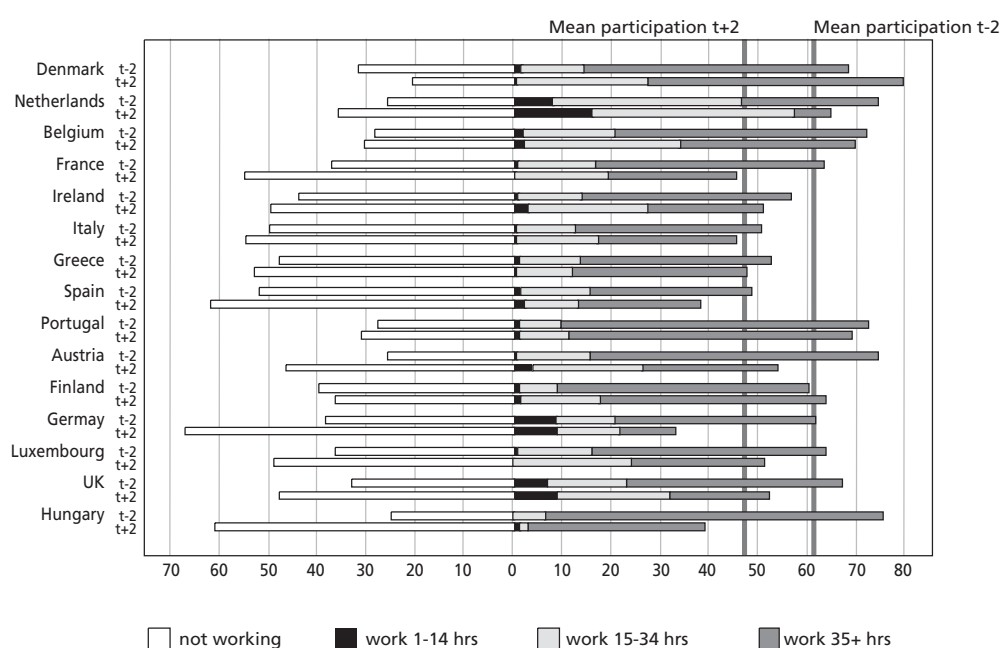
When the observation period is extended to three years or five years later, positions on the labour market appear less stable because, as time passes, there are more opportunities for people to adjust their labour supply on the labour market in accordance with their preferences or in adaptation to external constraints. The differences between men and women appear to be larger as the observation period extends further out in time. Significantly fewer women remain in full-time paid employment five years later, and more make a transition to non-employment. However, as the time horizon stretches, there are also more women who make a transition from part-time employment (whether short part-time hours or regular part-time hours) to full-time employment.

Next, the empirical analysis focused on the reduction in working hours due to childbirth for women aged between 18 and 45 years. Figure 9 (overleaf) shows the labour market participation rates two years before and up to two years after childbirth, by country. The gap between the two vertical lines represents the reduction in working hours for Europe as a whole due to childbirth, which is about 14% on average. The largest reductions are found in Germany, Hungary and also in the UK. In the Nordic countries, participation rates tend to stay high before and after childbirth. In the Netherlands, women tend to remain in part-time work after childbirth and do not return to full-time work as is the case in Denmark or the UK.

The analysis was able to look five years ahead to investigate the scarring effects of part-time work on the future employment and income position. The findings show that macro-level indicators exert strong career effects on working in part-time jobs across countries. In regime types with stronger

institutional support for working mothers, such as in the Continental or Nordic countries, women tend to withdraw at a slower rate due to caring duties than in countries with less support, such as in Ireland and the UK. In the latter countries, however, women tend to recover faster from the initial drop in hours and participation rates. Because full-time work is the norm in these countries, more women tend to return to full-time work later in the career. Income support appears particularly important to cushion the adverse effects of working part time on wages. The lack of income support might explain why, in Anglo-Saxon countries like Ireland and the UK, the scarring effects on wages tend to persist longer over time.

Figure 9 Labour market status of young mothers, 18–45 years, 2 years before (t–2) and 2 years after (t+2) childbirth, by country (%)



Source: ECHP, 1994–2001, Eurostat; Hungarian Household Survey (HHS) 1992–1997, TÁRKI

The research findings on the short- and medium-term effects of part-time work and caring can be summarised as follows:

- In countries with a higher level of working time flexibility, preferences for working part time are better accommodated, as a result of which women tend to stay longer in part-time work, such as in the Netherlands.
- Part-time workers have a lower probability of being employed full time later in the career, but this potentially negative effect becomes smaller over time. In countries with strong political support for part-time work for women with caring duties, women tend to stay longer in part-time work.
- When children grow older, the transition to full-time employment becomes more likely, particularly in countries with less support for part-time work, such as in Ireland and the UK.
- Women tend to drop out of the labour market before and after childbirth. They are also more likely to work part time in anticipation of and as a consequence of caring duties due to childbirth; the more company and public policies support such a move, the more frequently it occurs.

- Countries with a better employment record provide more opportunities for women to work part time and to remain in part-time work over the entire career.
- In countries such as Austria, France and Germany, where women conventionally work less, but also in Hungary and the UK, mothers are more likely to withdraw from paid employment and to be confronted with income shortfalls due to childbirth than in other EU Member States.
- As a result of reducing working hours in most countries, childbirth has a negative effect on a woman's income, which is however cushioned by social transfers. The more the country establishes income measures to cover the financial shortfall due to childbirth, the better the income position of mothers after childbirth. Nonetheless, in many countries women are faced with a scarring effect, particularly in the short term; the analysis estimated the income penalty to be about 5% on average each year.

Policy implications

The obvious implication for policies is that they should facilitate the creation of part-time work and endorse employment-sustaining policies for women with children in general. A range of policy implications are summarised below.

- Policies at national level should create opportunities for men and women to work part time. HRM policies at company level are required to remove the organisational barriers to part-time work.
- Policies should try to remove obstacles for part-time workers to shift to full-time work if they want to. Parental leave schemes should be better tuned to the preferences of women to work part time after childbirth.
- Greater institutional support for working mothers to work part time is needed, especially in Ireland, the UK and southern countries, in order to create more acceptance in society for flexible working times and to shift norms in behaviour.
- Providing more institutional support for working mothers to continue working part time after childbirth would lead to smaller reductions in working hours.
- Measures to establish legal rights for workers to work part time create improved opportunities for women to reconcile working and caring duties over the life course and are therefore more suited to mitigating adverse life-course effects.
- Policies facilitating the creation of part-time jobs might lead to improved job matches in the labour market and to productivity gains, contributing to keeping the demand for part-time workers high.
- Initiatives and policies aiming to create improved working time options at company level or within the public sector have a better record of keeping women at work after childbirth.
- Policies should enable every adult aged over 18 years to earn an income that is sufficient to become financially independent from the parents' income.
- Equal pay and equal opportunities for similar work between the sexes must be reinforced.
- Policies should also aim to 'make transitions pay' by ensuring income support to mitigate the scarring effects on income of reducing working hours in advance of and after childbirth.

The reason for these supporting policies is not only to allow men and women to fulfil their preferences for working part time but also because it might lead to better job matches and therefore to

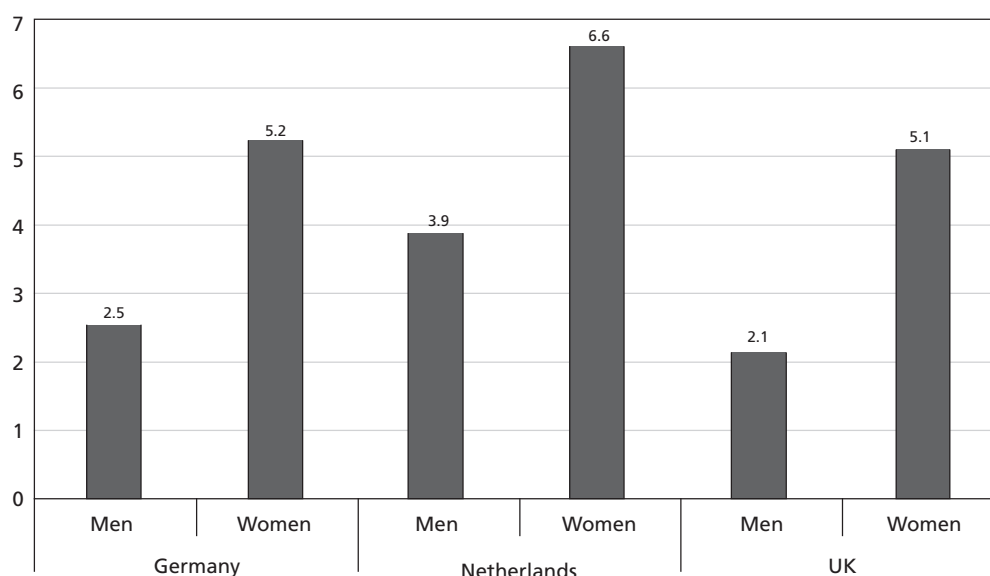
productivity gains and faster economic growth. Thus, policies should aim at establishing legal rights for men and women to work part time – complemented with HRM policies at company level – by facilitating the creation of flexible working time options to allow people to work part time, for example, and to reconcile work and caring duties over the life course. Return transitions into the labour market should pay off through income support policies mitigating the scarring wage effects of reduced working hours in advance of and after childbirth. Such strategies seem to be gaining increasing support, although, in many EU Member States, well-designed life-course oriented policies are still lacking.

Long-term effects of part-time employment

To provide more evidence on the scarring effects of part-time employment, the study examined not only the medium-term but also the long-term effects of working in part-time jobs on the employment and wage careers of men and women. In so doing, the analysis availed of the three longer running national panel studies in Germany, the Netherlands and the UK. These data cover a period of about 20 years for Germany and the Netherlands, and 14 years for the UK. The sixth working paper (WP6) reports on the research evidence.

The project was particularly interested in the duration effect of working part time on the employment status and wage level further in the career. It examined the extent to which scarring effects occur and whether they persist over a time window of 10 years or disappear after a relatively short period. Figure 10 shows the average duration of part-time work in the three countries. While durations of part-time employment are more or less similar in Germany and the UK, Dutch men and women on average remain longer in part-time employment. The average duration in part-time work is almost four years for Dutch men, compared with 2.1 years and 2.5 years in the UK and Germany, respectively. Thus, although part-time work seems to be a transitory phase for Dutch men, they still remain on average four years in a part-time job. Dutch women remain 6.6 years in part-time employment, compared with five years in Germany and the UK.

Figure 10 Average duration of spells of part-time employment in Germany, the Netherlands and the UK, by gender (number of years)



Source: National panel studies from Germany, the Netherlands and the UK (see Box 1)

In terms of the proportion of people who left part-time employment after a period of 10 years, a little less than 60% did so in Germany and the UK, while only half of those employed in part-time work left it in the Netherlands (Table 7). Women in the Netherlands seem to prefer part-time jobs and many of them (57%) tend to stay longer in part-time work even after a period of 10 years.

Table 7 Transitions out of part-time employment, by destination state (%)

Between t and t+1	Netherlands			UK			Germany		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Remain in part-time employment	66	83	79	43	76	73	44	75	70
Full-time work	21	7	10	35	10	12	32	9	13
Self-employment	1	1	1	5	3	3	3	2	2
Unemployment	3	2	2	7	2	2	4	3	3
Inactivity	10	7	8	11	9	10	17	11	12
Total	100	100	100	100	100	100	100	100	100
Between t and t+5	Netherlands			UK			Germany		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Remain in part-time employment	35	65	58	16	56	53	21	57	52
Full-time work	47	14	21	54	19	22	51	16	20
Self-employment	3	2	2	8	3	4	7	3	3
Unemployment	3	3	3	6	2	2	6	5	5
Inactivity	12	17	16	16	20	19	15	20	19
Total	100	100	100	100	100	100	100	100	100
Between t and t+10	Netherlands			UK			Germany		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Remain in part-time employment	24	57	50	8	43	41	14	46	42
Full-time	61	15	25	63	27	29	56	18	23
Self-employment	3	3	3	12	4	4	12	4	5
Unemployment	2	3	2	5	2	2	7	5	5
Inactivity	10	23	20	11	25	24	10	27	24
Total	100	100	100	100	100	100	100	100	100

Notes: Figures indicate transitions out of part-time employment. The destination state following the transition (whether in full-time work, self-employment etc.) is given for three periods: between the time of leaving part-time employment (t), and one year later (t+1), five years later (t+5), and 10 years later (t+10).

For men in the UK, the 10-year transitions are based on a small number of cases.

Source: National panel studies from Germany, the Netherlands and the UK (see Box 1)

The analysis also modelled the transitions out of part-time work into various other forms of employment: besides the option of remaining in part-time work, it looked at the possibility of becoming unemployed or inactive, or moving into full-time employment. The research particularly focused on the duration effect of part-time work. The findings indicate negative duration effects, showing that part-time workers are less likely to move out of such work the longer they work part time. Interestingly, however, these negative effects tend to slow down as the time horizon extends. Compared with the five-year period, the 10-year period shows that the effects are still significant in Germany and the Netherlands, but this is no longer the case in the UK. As the timeframe extends further, the part-time workers in Germany and the UK are equally likely to work full time or part time. Nevertheless, part-timers in Germany and the Netherlands, even after 10 years, are still more likely to work in a part-time job.

The working paper also looked at the long-term scarring effects of part-time work on wages (Table 8). Female full-time workers tend to experience much higher levels of wage growth over a 10-year period than female part-timers in all of the three countries. The gap is 9 percentage points in Germany (21% growth for full-time workers as against 12% for part-time workers), 16% in the Netherlands (27% as againsts 11%) and 22% in the UK (42% as against 20%).

Table 8 Female hourly wage by current number of hours worked and future pattern of part-time work

	Netherlands		
	Hourly wage at t1	Hourly wage at t10	Wage growth (%)
Always full-time	13.3	16.8	27
Full-time t1 & t10, some part-time	12.3	16.1	31
Part-time t1 & full-time t10	12.8	14.8	15
Part-time t1 & part-time t10	13.5	15.0	11
Total	13.3	15.3	15
	United Kingdom		
	Hourly wage at t1	Hourly wage at t10	Wage growth (%)
Always full-time	6.8	9.6	42
Full-time t1 & t10, some part-time	6.3	9.3	47
Part-time t1 & full-time t10	6.2	7.5	20
Part-time t1 & part-time t10	5.7	6.9	20
Total	6.3	8.1	30
	Germany		
	Hourly wage at t1	Hourly wage at t10	Wage growth (%)
Always full-time	13.3	16.1	21
Full-time t1 & t10, some part-time	13.6	16.6	22
Part-time t1 & full-time t10	15	13.9	-8
Part-time t1 & part-time t10	12.3	13.8	12
Total	13.2	14.9	30

Notes: Figures indicate the female hourly wage, according to the length of the working week (part time or full time) at one year after the observation began (t+1), and at 10 years after the observation began (t+10). Wages are indicated in national currency units.

Source: National panel studies from Germany, the Netherlands and the UK (see Box 1)

Moreover, the research modelled the wage growth in the various countries. The results confirm the existence of scarring effects of part-time work on future wages. After moving to a full-time job, the scarring effects are still not fully resolved after a further five years in the career in Germany and the UK. However, by that time, the effects have become insignificant for women in the Netherlands. Overall, the results on the long-term scarring effects of part-time work can be summarised as follows.

- On average, men and women stay longer in part-time work in the Netherlands (4.0 and 6.6 years) than in Germany (2.5 and 5.2 years) or the UK (2.1 and 5.1 years).
- The longer people stay in part-time work, the less chance they have of returning to full-time employment, although this effect slows down over time.
- This duration effect is initially large, especially in the UK, but it tends to dissolve over time; after 10 years, many women with young children have returned to their initial full-time status.
- In countries such as Germany and the Netherlands, the pace of recovery is much slower than in the UK; part-time employment seems to be a steady state in these countries.

- After 10 years, the likelihood of a transition out of part-time work is lowest for Dutch women, compared with British or German women. Either the Dutch women – all else being equal – have stronger preferences for part-time employment or the part-time job is more attractive.
- In a 10-year period, hourly wages increase most strongly for full-time working men. Wages rise more for female full-time workers than for female part-timers, especially in the UK.
- The scarring effect of having worked part time in the past 10 years on the current hourly wage exists in all countries, but more so in the UK than in Germany or the Netherlands.
- The scarring effect on wages diminishes over time for women, especially in the Netherlands, but never disappears fully in the UK.

The results clearly indicate that, in the longer run, the scarring effects on employment and wages tend to dissolve, but less so in the UK than in Germany or the Netherlands. The findings also show the importance of gender roles and working time preferences in society. In the Netherlands, women tend to have strong preferences for working part time because it allows them to reconcile work and private life. In those countries where part-time work seems to be the norm, women with young children tend to stay in part-time work and to make fewer switches to full-time work later in the career compared with the situation in the UK, where women generally either do not work at all or else work full time.

Policy implications

The policy lesson to be learned from these findings is that more employment and income support for working mothers with young children reduces the persistence of scarring effects and makes it easier for women with caring duties to catch up fully during the career. Support policies to create part-time jobs and give income support to working mothers ensure that part-time jobs are rather similar to full-time jobs in terms of the hourly wage. Such support also helps to mitigate the scarring effects of working in a part-time job on the future wage career. The policy findings are summarised below.

- The more policies aim to support part-time work, the more part-time jobs there will be, enabling men and women to fulfil their preferences for working and remaining in part-time jobs.
- As more policies are aimed at creating part-time work and providing institutional support to mothers with young children, the more attractive these part-time jobs tend to be and the longer people stay in these jobs.
- To reduce the scarring effects on future employment, policies should endorse more employment and income support for working mothers with young children, making it easier for women with caring duties to catch up fully during the career.
- In countries where women usually work full time, policies should be designed differently to those in countries where the norm is to work part time.
- Policies should aim at reducing the wage gap between part-time and full-time work in order to promote part-time work and increase employment.
- Policies to support part-time work will also contribute to making such work more accepted in society and therefore to improve its attractiveness in terms of wage career prospects.
- Policies aiming to create part-time jobs and to support working mothers are likely to improve labour supply and boost productivity gains; this should raise the hourly wage level and narrow the gap between part-time and full-time wages.

Life-course effects of birth of first child

Abundant evidence emerges in the literature on the subject that childbirth affects women's labour force participation over the life course in a negative manner (see, for example, Van der Lippe, 2001; Uunk et al, 2005). In one of his publications, Esping-Andersen (2005) even speaks about a 'child penalty' associated with raising children. In his view, the lesson for policies is to try to reconcile motherhood and working careers, which calls for more than the 'standard menu of mother-friendly policy'. Some of the major obstacles to the reconciliation of family and working life are, according to Esping-Andersen, 'hidden in the labour market'. However, the 'child penalty' is not equally strong across Western industrialised countries, with differences in the extent to which childbirth affects female labour supply. In the UK, for example, women with a child under the age of five years work on average 24 hours a week less than women without young children, while in Denmark this difference is only five hours (Van der Lippe, 2001).

The seventh working paper (WP7) switches to real life-course data stretching over the period from the 1950s to 2000 to view the effects of childbirth on labour market participation over the life course. The analysis used the life-course data for three countries: Germany, the Netherlands and the UK. The data made it possible to extend the time horizon to view the scarring effects of working part time over a period of at least 20 years. The aim was to examine the effects of childbirth on future labour market participation, on re-entry into work or exit out of work, and on occupational mobility. The study employed event history analysis to tackle these issues. Life-course data and also long-running panel data have the advantage that they enable the researcher to disentangle the effects of age, period and birth cohort.

This working paper focused on birth cohort effects to examine the long-term trends and changes in employment behaviour.¹⁰ The study particularly examines the career effects of childbirth for different age generations from two years before, at childbirth and two to 20 years after the time of first childbirth. It considers whether women of different cohorts tend to exit the labour market due to childbirth, and whether and to what extent women tend to return to the labour market either in a part-time or a full-time job after childbirth. When women return to paid work, the research also considered whether the occupational level of these jobs is the same, higher or lower than the level of the job prior to childbirth. Figure 11 presents part of the results, showing the participation rates over the life course for the various birth cohorts. These figures are based on the life-course data for Germany, the Netherlands and the UK. The analysis then applied multinomial logit models which contained a number of explanatory variables, such as age, educational level, occupational level, working status (part-time or full-time), number of children, life-course stage (containing information on the age of any children) and labour market history (duration of inactivity and length of work experience in a number of months). The study also added the birth cohort variable (1900–1930; 1931–1940; 1941–1950; 1950–1960; 1961–) and a cross-reference for the cohort and life-course stage variable.

¹⁰ It first examined the life-course effects by constructing a life-cycle variable that should indicate differences in the observed effects during different stages of the life course, for example, childhood, single adulthood, couple without children, couple with young children, couple with only older children, empty nest. Secondly, the analysis drew particular attention to the so-called birth-cohort effects or the effects for different age generations. Such a cohort effect points to a discontinuous change that has to do not only with the process of growing older but also with structural shifts in the behaviour over time of different age generations.

The expectation was that the birth of a child would lead to more women exiting the labour market in Anglo-Saxon countries – due to these countries’ regime of less employment protection and more labour market mobility – than would be the case in countries with more employment protection and more income and employment support for working mothers, such as in Germany and the Netherlands in particular. It was also suspected that younger cohorts tend to exit to a lesser extent than older cohorts do. For the return to the labour market after childbirth, the expectation was that, in the ‘double earner’ country (UK), mothers are expected to return to work and even to full-time work after childbirth. Conversely, in a ‘male earner’ Continental country such as Germany, women who withdraw will less often return to the labour market and to full-time employment.

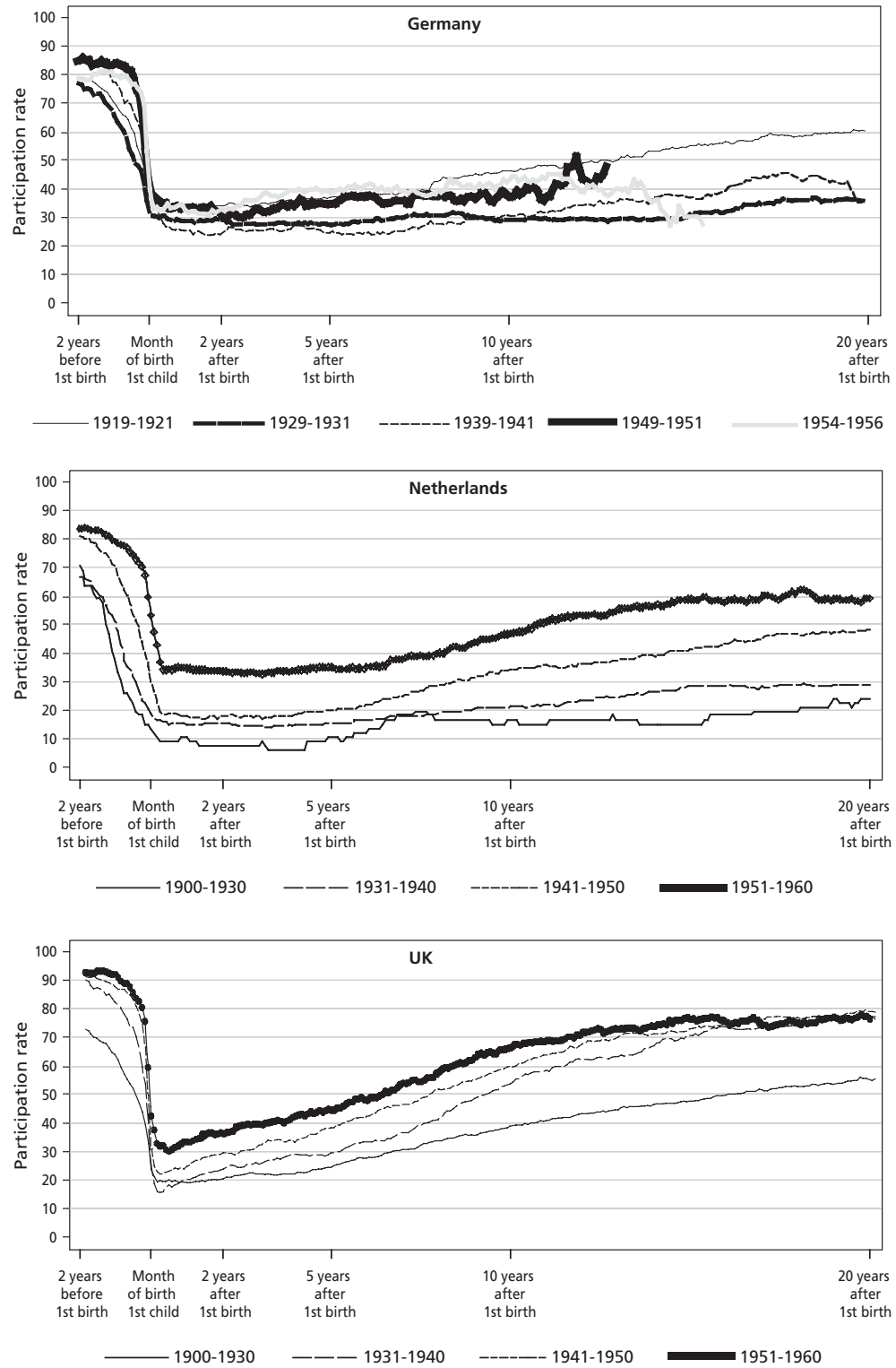
The Netherlands seems to be a special case of a ‘one-and-a-half earner’ featured country, with many women working part time. It also offers much income and employment support to women to work part time and to continue doing so after childbirth. However, the analysis anticipated that younger female birth cohorts would return more frequently to work and to full-time work after childbirth in all three countries than would be the case for older cohorts.

The results of data analysis (Figure 11, overleaf) confirm most of these conjectures; they show that, over time, younger birth cohorts behave differently in reaction to childbirth than older cohorts do. They tend to withdraw less from the labour market before or at childbirth and recover faster from the initial drop in participation after childbirth. They also tend to move during the career into full-time employment more than older cohorts do. The initial drop in participation rates is indeed higher in the UK, although British women tend to recover much faster from the drop to return to pre-birth employment levels than is the case in Germany or the Netherlands.

Using data on occupational level and changes therein over the career, the analysis also found that women tend to shift to lower level jobs due to childbirth in the UK only. In the other two countries, the occupational level was hardly affected by childbirth, except slightly for women at the highest educational level. At the same time, British women are also more likely, compared with working mothers in Germany or the Netherlands, to move into higher level jobs after childbirth. The overall findings from the empirical analysis of the life-course effects of the birth of the first child can be summarised as follows.

- The birth of a first child strongly reduces the labour market participation of women, especially in the UK. British women tend to experience the sharpest drop in participation rates, compared with German and Dutch women, but also seem to recover faster after childbirth over the entire career.
- Ultimately, more women re-enter employment in Germany, although it takes more time to attain that level. Dutch women are more likely to return to part-time employment than women in the two other countries studied.
- Younger birth cohorts in all three countries exhibit smaller drops in participation rates around childbirth and return more quickly to employment during the life course than older birth cohorts do.
- The rate of return to full-time work is higher for younger birth cohorts in all countries, especially as more time elapses after the childbirth.
- Working mothers tend to reduce labour market participation up to two years before childbirth. However, British women in particular tend to return very quickly to employment shortly after childbirth; this is especially the case among the younger birth cohorts.

Figure 11 Labour market participation rate of women in relation to childbirth in Germany, the Netherlands and the UK, by birth cohort (%)



Note: The data refer to six key stages: from two years prior to the birth of the first child, i.e. at childbirth, to two, five, 10 and 20 years after the birth.

Source: Life-course data from Germany, the Netherlands and the UK (see Box 1)

- The scarring effect of first childbirth in terms of returning to a lower level job does not seem to be confirmed; no such effect was found for German or Dutch women, while the findings for the UK are mixed. British women do tend to move to a lower level job due to childbirth, but they are also more likely to move upwards into a higher level job after childbirth, reflecting the more efficiently operating Anglo-Saxon labour market.

Policy implications

The findings clearly show the relevance of policies in this domain since countries with stronger support for working mothers, in terms of greater options to reconcile work and private life, seem better capable of mitigating the adverse career effects of a partial withdrawal from the labour market due to childbirth. The policy implications of the findings from the analysis of the empirical data are summarised on page 42.

- Policies to promote part-time work through institutional support for working mothers curtail the complete withdrawal of women at childbirth from the labour force and allow them more options to recover lost ground during the rest of the career.
- Lack of income support for working mothers tends to put mounting pressure on families with young children to augment their labour market participation, thereby jeopardising the reconciliation of working and caring duties.
- The effect of the absence of supporting policies on the work–life balance is stronger for younger birth cohorts than for older groups.
- The consequences for younger cohorts are greater in countries such as the UK where it is customary for women to work long hours. Thus, life-course policies need to target these younger age groups.
- Policies to promote part-time work and to support working mothers encourage women to remain in part-time work during the career instead of moving to full-time work, but they also allow women to improve their work–life balance. This might in particular enable the female younger birth cohorts to reduce their working time and to reconcile work and private life.
- When a country offers little institutional support for part-time work, a greater gap emerges between the take-up of part-time work and full-time work; in this situation, the scarring effects of childbirth and part-time work on employment and occupational career prospects are greater.
- Policies should be aware of the possible trade-off between strategies to promote long working hours for women in terms of full-time work and also life-course oriented policies. The latter should aim to create more opportunities for women to reconcile work and caring duties, which is particularly crucial for younger birth cohorts.

An important policy lesson is that lack of income support to cushion the adverse effects of part-time work on the labour market and the occupational career puts mounting pressure on families with children – particularly for the younger birth cohorts – to raise their labour market participation. This situation might endanger the reconciliation of working and caring duties and distort a work–life balance. Moreover, if women tend to work longer hours beyond what they actually can manage with a view to their caring duties – due to the increasing costs of children and the lower wage for part-time work – this will have a negative effect on their work–life balance. Short-term employment-sustaining policies aimed at allowing both partners to work might therefore be in conflict with life-course oriented policies aimed at the reconciliation of work and private life.

Policies should be aware of the trade-off between these two different strategic objectives, which is particularly relevant for younger birth cohorts as they are confronted with the rising costs of younger children and tend to increase their working hours to supplement the family income (Esping-Andersen, 2005). Thus, if policies can find the right balance, it will pay off in economic and social terms. Such a strategic balance will lead to better job matches for men and women, and consequently to productivity gains and higher economic growth. In addition, it will also improve work–life balance and quality of life because people will be better able to meet their preferences for working and caring over the life course.

Employment patterns and mid-career occupational status

As a result of the process of individualisation, careers are now becoming more diverse in Europe. Although men are still generally employed in full-time jobs during their whole career, temporary reductions of working time or temporary exit from paid employment – for training, for example – are becoming less uncommon. For women, the choice was traditionally either to make a career or else not to participate in paid employment. European societies now see a diversification of women's careers because more women participate in paid employment and more women adjust their labour supply according to events in their life course – childbirth, for example – rather than leave paid employment. The eighth working paper (WP8) considered the extent to which this diversification in individual life courses affects the occupational position.

The main question posed therefore is the extent to which the person's mid-career occupational status is affected by the occurrence of particular employment or demographic events in the life history prior to the moment that people reach the top of their career. The existing evidence shows that the peak in the career is usually attained around the age of 45 years. This study was primarily interested in the differences in life histories and how they are affected by events occurring between the age of 30 and 45 years across the various birth cohorts. The research focused on two countries: the Netherlands and the UK, and availed again of the life-course data already used in the previous paper¹¹. These countries represent different regime types: the UK forms part of the Anglo-Saxon welfare regime, while the Netherlands is an example of the Nordic welfare regime, although it seems to be a special case as 'the first part-time economy' in the world. The analysis tried to gauge the following labour market events over the career between 30 and 45 years of age:

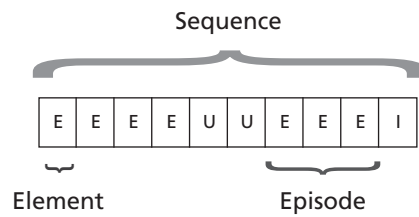
- the duration of spells out of work or the length of all work interruptions or career breaks;
- the number of months that the person worked part time;
- the tenure in the current job.

The demographic events examined pertain to the occurrence of a marriage or divorce during the career between 30 and 45 years.

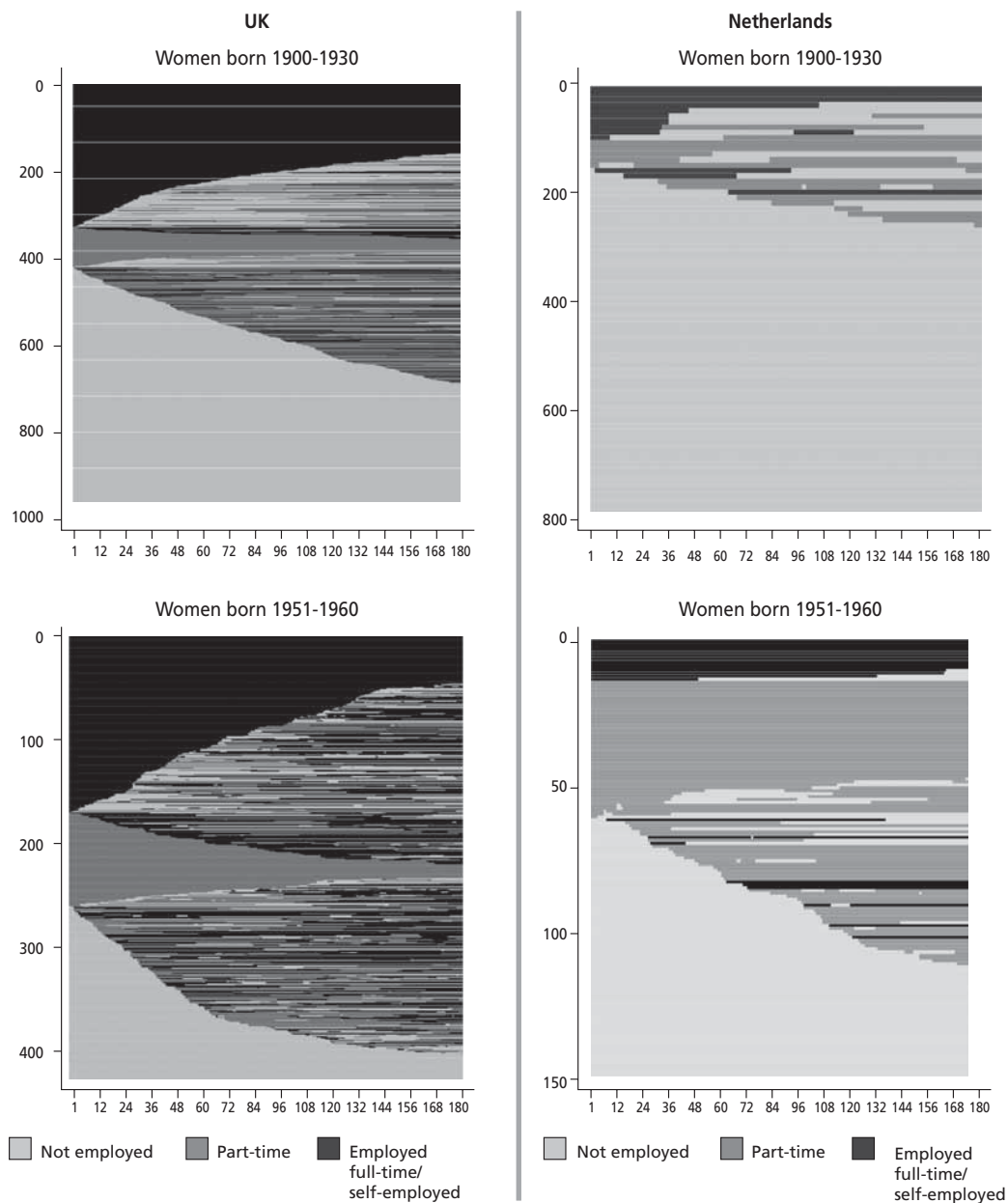
The research used 'sequence data' analysis techniques¹² to picture the career patterns according to birth cohort; these pictures show the life histories of men and women over time for each birth cohort. The interest in this type of analysis focuses on the sequential character of all forms of labour market status rather than on particular transitions in the sequence. The sequences as shown in Figure 12 can be presented graphically (Figure 13) and may also be tabulated (Tables 9 and 10).

¹¹ Because of its cohort survey design, the German Life History Study could not be used here. It was only possible to observe the labour market status at the age of 45 years for people born in the oldest two cohorts: 1919–1921 (interviewed between 1981 and 1983) and 1929–1931 (interviewed between 1985 and 1987).

¹² Molecular biologists have used sequence analysis to analyse similarities in deoxyribonucleic acid (DNA) structures. This study uses the technique to describe sequences of forms of labour market status over the career, which are grouped in episodes or spells.

Figure 12 Sequence in labour market data

Note: E=employment; U=unemployment; I=inactivity

Figure 13 Length of employment patterns of Dutch and UK women, 30–45 years, for two birth cohorts: 1900–1930 and 1951–1960, months

Note: Horizontal axes represent average number of months in a particular employment state; vertical axes represent the number of cases.

Source: Life-course data from the Netherlands and the UK (see Box 1)

Table 9 Summary of employment career in the Netherlands, 30–45 years

Men	1900–1930		1931–1940		1941–1950		1951–1960		Total	
	Average	CV	Average	CV	Average	CV	Average	CV	Average	CV
Length of FT employment sequence	162.17	0.31	156.29	0.36	156.20	0.35	140.70	0.50	155.37	0.37
Length of PT employment sequence	9.21	4.29	11.23	3.78	11.81	3.64	24.56	2.48	12.58	3.55
Length of non-employment sequence	8.62	3.91	12.48	3.16	11.98	3.05	14.74	2.86	12.05	3.14
No. of employment forms in sequence	1.11	0.28	1.16	0.34	1.18	0.34	1.15	0.31	1.16	0.34
Number of episodes (total)	1.15	0.39	1.22	0.49	1.28	0.59	1.20	0.44	1.24	0.53
Number of FT employment episodes	0.97	0.32	0.96	0.40	0.99	0.42	0.85	0.52	0.96	0.42
Number of PT employment episodes	0.06	4.48	0.08	3.56	0.09	3.51	0.15	2.52	0.09	3.46
Number of non-employment episodes	0.12	2.68	0.18	2.22	0.21	2.32	0.20	2.10	0.19	2.31
Women	1900–1930		1931–1940		1941–1950		1951–1960		Total	
	Average	CV	Average	CV	Average	CV	Average	CV	Average	CV
Length of FT employment sequence	14.78	2.75	21.30	2.44	20.20	2.52	21.14	2.53	20.34	2.51
Length of PT employment sequence	18.70	2.44	26.37	2.00	49.19	1.36	74.05	1.02	42.92	1.51
Length of non-employment sequence	146.53	0.40	132.34	0.51	110.61	0.66	84.81	0.87	116.73	0.62
No. of employment forms in sequence	1.32	0.43	1.35	0.36	1.50	0.37	1.44	0.35	1.43	0.37
Number of episodes (total)	1.43	0.57	1.51	0.55	1.74	0.58	1.64	0.56	1.64	0.58
Number of FT employment episodes	0.18	2.28	0.22	2.19	0.21	2.24	0.16	2.39	0.21	2.25
Number of PT employment episodes	0.24	2.04	0.31	1.72	0.56	1.18	0.69	0.96	0.48	1.32
Number of non-employment episodes	1.01	0.38	0.97	0.48	0.97	0.59	0.79	0.78	0.95	0.57

Note: The data refer to the average number of months and the coefficient of variation (CV). FT= full time; PT = part time.

Source: Life-course data from the Netherlands (see Box 1)

Table 10 Summary of employment career in the UK, 30–45 years

Men	1900–1930		1931–1940		1941–1950		1951–1960		Total	
	Average	CV	Average	CV	Average	CV	Average	CV	Average	CV
Length of FT employment sequence	172.00	0.16	173.33	0.15	170.03	0.16	163.10	0.22	170.07	0.17
Length of PT employment sequence	1.18	10.74	1.15	10.74	1.87	7.19	2.66	4.19	1.64	7.65
Length of non-employment sequence	6.82	3.51	5.51	3.96	8.10	2.92	14.24	2.39	8.28	3.11
No. of employment forms in sequence	1.17	0.32	1.17	0.35	1.31	0.38	1.50	0.43	1.27	0.39
Number of episodes (total)	1.24	0.51	1.29	0.59	1.69	0.87	2.45	0.94	1.61	0.89
Number of FT employment episodes	1.06	0.28	1.10	0.31	1.27	0.49	1.59	0.65	1.22	0.51
Number of PT employment episodes	0.01	8.63	0.02	7.64	0.05	6.51	0.16	2.99	0.05	5.57
Number of non-employment episodes	0.17	2.39	0.18	2.45	0.38	1.99	0.70	1.56	0.33	2.18
Women	1900–1930		1931–1940		1941–1950		1951–1960		Total	
	Average	CV	Average	CV	Average	CV	Average	CV	Average	CV
Length of FT employment sequence	58.53	1.23	65.04	1.06	76.36	0.91	80.17	0.82	68.37	1.03
Length of PT employment sequence	27.83	1.81	52.36	1.16	48.75	1.17	51.59	1.08	42.27	1.33
Length of non-employment sequence	93.64	0.79	62.60	1.02	54.89	1.10	48.25	1.19	69.35	0.99
No. of employment forms in sequence	1.65	0.42	1.91	0.38	2.04	0.36	2.25	0.34	1.91	0.40
Number of episodes (total)	1.90	0.63	2.35	0.63	2.80	0.75	4.02	0.68	2.59	0.77
Number of FT employment episodes	0.61	1.07	0.77	0.96	0.99	0.93	1.48	0.74	0.89	0.99
Number of PT employment episodes	0.42	1.50	0.72	1.05	0.86	1.07	1.27	0.97	0.74	1.23
Number of non-employment episodes	0.87	0.71	0.86	0.85	0.96	1.07	1.27	0.92	0.96	0.92

Note: The data refer to the average number of months and the coefficient of variation (CV). FT= full time; PT = part time.

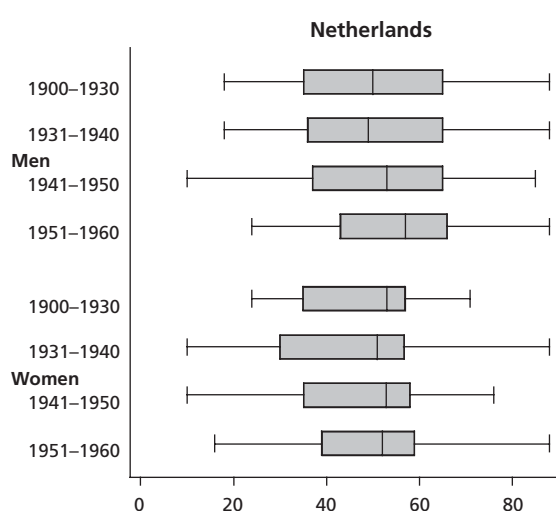
Source: Life-course data from the UK (see Box 1)

In the panels comprising Figure 13, the vertical axis represents the absolute number of cases (sequences), where the elements within the sequences are represented by different shading. The horizontal axis represents the months. The figures can be read as follows: patterns of part-time employment are less common among British women in the oldest cohort (top left panel of Figure 13), whereas women from the youngest cohort make more labour market transitions (lower left panel in Figure 13). For Dutch women, a career of inactivity is becoming less common among the youngest generations and tends to be replaced by part-time careers.

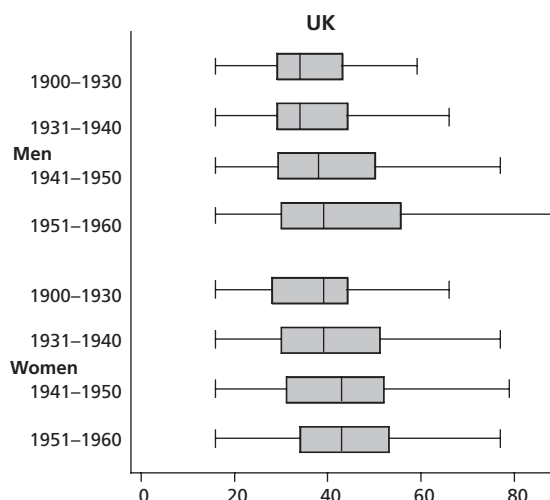
The results in Tables 9 and 10 confirm the expectation that younger birth cohorts of men have a different career pattern, with more intermittent spells of unemployment and part-time work and more frequent job changes. Dutch women, in particular in the younger cohorts, experience more part-time work spells than the older cohorts do. However, no evidence emerged for the hypothesis that a more flexible labour market – such as in the UK – will show more labour market changes and greater variation between the various birth cohorts.

The next step examined the changes for younger birth cohorts in terms of the occupational level they attain at the age of 45 years, compared with older cohorts. Figure 14 shows the results for the Netherlands and the UK by gender. The size of the boxes represents the spread within each birth cohort and the line inside the box represents the median occupational level¹³. The charts reveal that the median occupational level in the UK is somewhat lower than in the Netherlands. However, the spread in occupational level increases across birth cohorts in the UK, while it decreases in the Netherlands, at least for male workers. Among the younger birth cohorts, there is a tendency to shift into higher occupational levels than among the older cohorts, especially for men but also for women. The shift for women seems more pronounced in the UK than in the Netherlands.

Figure 14 Occupational level of Dutch and UK workers aged 45 years, by birth cohort



¹³ At the median occupational level, half of the people have a lower and half of the people have a higher occupational level. The lines to the left and right of the boxes indicate the spread of values as represented by 1.5 times the difference between the lower and higher quartile values.



Source: Life-course data from the Netherlands and the UK (see Box 1)

As a last step, regression analyses¹⁴ examined the factors that explain the different career patterns of men and women in the two countries. The conclusions of the findings are outlined below.

- Younger cohorts of British and Dutch men record longer intermittent periods of economic inactivity, than the older cohorts do. The younger Dutch male cohorts experience more part-time work spells.
- Younger cohorts of British women work part time more often and experience more transitions than the older cohorts do. Their young Dutch counterparts experience fewer intermittent spells of inactivity but more spells of part-time work.
- Younger cohorts of British and Dutch men have a higher occupational level at the peak of their careers (around the age of 45 years) than the older cohorts do. British and Dutch women in the younger cohorts also attain a higher occupational level by that time.
- However, after controlling for the occurrence of employment and demographic events, the results show that for British women in the youngest cohort, the mid-career occupational level is significantly lower.
- The occurrence of labour market or demographic events exerts hardly any effect on the occupational level at the age of 45 years. However, significant negative effects on occupational level were found among British women in relation to the number of months in part-time work. Dutch and British women also recorded a negative effect of having worked part time in the past.
- For women, marriage seems to be a barrier to stay on working, but this is not the case for men. The number of children also partly explains why women tend to drop out of the labour market before they attain the top of their career. Low-educated women tend to drop out, as do those who are highest educated.

¹⁴ The research performed a two-stage ordinary least-squares regression technique on the attained occupational level at the age of 45 years with Heckman's correction for selectivity bias. From the selection equation estimating the probability of dropping out of employment between 30 and 45 years, the analysis calculated the non-selection hazard (the inverse Mill's ratio) that appeared significant in both countries.

For the Netherlands, the expectation is confirmed that younger birth cohort career patterns are more strongly tied to a part-time work history. In addition, the more women tend to have worked part time in the past, the more likely it is that they stay working in the labour market at a later age. Younger cohorts who already worked more than the older cohorts also reach higher occupational levels, which shows that continuing in work after childbirth and avoiding care breaks pays off in terms of the career. This is also the result of younger cohorts attaining higher educational levels than their predecessors, which exerts a strong positive effect on the careers of men and women in both countries.

Policy implications

The policy lessons of these findings can be summarised as follows:

- Policies should be aware of the increasing life-course risks that people face due to unemployment or inactivity. As a result, working careers are more unstable and require transitional labour market solutions: ‘make transitions pay’ instead of ‘make work pay’.
- Measures to support the creation of part-time jobs in the Netherlands and the UK imply – particularly for the younger birth cohorts – that people experience fewer spells of inactivity and more employment spells; hence, in the end, they are more secure in their employment.
- Policies should aim to create more opportunities for the younger cohorts of British women to stay employed after childbirth and to allow women to continue their career in part-time jobs if they want.
- Policies should give employment and income support to women to continue working after childbirth. This might entail establishing a legal right to part-time work for men and women. Such policies also make it easier for women to return more quickly into pre-childbirth work patterns and help them to build up their careers.
- For the same reason, policies should try to create opportunities for married women to improve their skills and educational level during the time that they do not work or work less.
- If policies are more oriented towards stabilising employment and income positions over time, such as in the Netherlands, the employment position or the occupational career is less affected by the occurrence of particular labour market or demographic events.

In terms of policies, transitional labour market solutions to facilitate transitions at various stages in the life course, using flexible working time options such as part-time work, might indeed be an effective way to counteract the adverse effects of increasing risks in the labour market (Schmid, 2006). The findings also show that women who have worked part time might experience scarring effects in terms of a lower occupational level by the age of 45 years if this is not counteracted by supporting policies. A key measure is to remove the barriers for women to work part time, thereby allowing them to build up a career. This could raise productivity within companies and enable women to build up a better wage career, which would contribute to narrowing the gender wage gap.

The analysis into the country and individual-level career effects of flexible employment contracts and working time arrangements offers an empirical basis for the theoretical insights into the life-course effects of new forms of work across various countries and policy regimes. Such an investigation has hitherto never been conducted. The study was able to examine to some extent a number of important issues that play a role in the flexicurity debate at the macro level, such as how and to what extent levels of flexibility and employment security can be balanced to achieve an efficient and secure labour market. While the report just touched on the issue, it considered the extent to which different and feasible paths of flexicurity emerge that Europe should aim towards, or whether a 'one size fits all' policy would provide a better way for the EU to move forward.

The study concluded that, due to the large variation in countries' performance record in balancing flexibility and employment security goals, a 'one size fits all' policy is not very likely to succeed. Regimes are strongly path-dependent due to institutional inertia, but they also learn quickly and seem capable of adjusting their policies to become more successful in balancing flexibility and security goals. A step-by-step approach to adjust policies and seek country-specific solutions to implement flexicurity policies seems more promising than a radical overhaul of the existing institutions, which might create adverse effects. The findings show that institutions have an impact in explaining country differences and also that institutional rigidities at national level have significant distortion effects on balancing flexibility and employment security. The findings sound a warning in relation to convergence policies, but also show that many European countries are performing well in balancing a flexible and secure labour market despite their dissimilar paths.

At the micro level of the individual worker, the life courses of people seem to be confronted with new and diverse risks due to a number of structural changes, such as the trend towards globalisation, the instability of marriage and the ageing of society. Using life-course data, the research underlined the thesis that working careers have become more unstable, particularly for women and men belonging to the younger birth cohorts. However, the way that these structural changes affect people's careers differs across countries and regimes, and depends strongly on the economic conditions and the institutional context.

The evidence of the 'scarring' effects of working in non-standard employment relations over a 5, 10 and 20-year perspective supports the idea that career breaks have a significant adverse effect on the future career, although the pace of recovery varies depending on the features of the institutional support systems. For example, policies to encourage the creation of part-time jobs in the Netherlands and the UK result in fewer spells of economic inactivity and more employment spells, particularly for the younger birth cohorts, and hence greater employment security over the life course. This advances the supposition that trade-offs between flexibility and income and employment security can be avoided if appropriate income and employment-sustaining policies and institutional support mechanisms are established on the basis of widespread cultural support in society.

The research project constitutes a first endeavour to systematically explore the dynamic long-term effects of new concepts of work and more flexible working time arrangements over the life course in some European countries. For practical reasons, the study was limited in the number of countries it could cover. Although it included some Nordic countries in the panel data analyses, the research was unable to include a Nordic country, such as Sweden, in the life-course data analyses. Moreover, although the study included the southern European countries in its analysis of the short-term career effects, by referring to the ECHP, it lacked panel and life-course data for the southern countries to

assess the longer term career effects. Life-course data will shortly become available to enable research to include Italy and Sweden in future work. The inclusion of more countries would allow researchers to look in more detail at the extent to which welfare regimes and life-course regimes tend to overlap or indeed to shape different images of country clusters.

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Annex 1

Overview of working papers, project design and content

	Title/Subject	Data	Time window	Countries	Calendar	Study objective
WP0	Introduction/executive summary. Results and policy implications					Summarising, reporting
WP1	Contract and working time flexibility: Constructing a typology	ESWT, EWCS, EB	Repeated cross-sections 1 year	21 countries: EU15 + 6 transition countries	2000–2005	Constructing a typology of countries based on contract and working time flexibility within the company
WP2	Take it or leave it: Working time arrangements and the synchronisation of business and life cycle	Inventory of legislation and collective agreements. Best practice company cases	Some 25 years	DE, NL, UK, HU, FR, ES, SE	Updated to 2006	Company case studies on working time flexibility and legal arrangements in 7 countries
WP3	Contract flexibility and employment security in Europe	ECHP	1, 3 and 5 years	14 countries (EU15 minus SE)	1995–2001	Assessing career effects: • Employment status • Income/wage
WP4	Working on a flexible contract: Improvement or scarring for the career?	ECHP, DSEP, GSOEP, BHPS	1, 5 and 8/10 years	14 countries (EU15 minus SE) and further analysis of DE (W), NL, UK	1995–2001, 1984/8–2002/5	Assessing career effects: • Employment status • Income/wage
WP5	Working part time and caring in Europe: Short and medium-term effects on the career and income	ECHP	1, 3, 5 years	DE, NL, UK	1994–2001	Assessing career effects: • Employment status • Income/wage
WP6	Part-time employment and its long-term effect on the career in DE, the NL and the UK	DSEP, GSOEP, BHPS	1, 3, 5 years	DE, NL, UK	1984–2002/5	Assessing career effects: • Employment status • Income/wage
WP7	Careers of working mothers after first childbirth	Life-course data	Child's birth to age of 10 years and 20 years	DE, NL, UK	1950–2000	Assessing career effects: • Employment status • Occupation
WP8	Employment patterns and occupational mobility over the life course	Life-course data	Age 30 years to age 45 years	DE, NL, UK	1950–2000	Assessing career effects: • Employment status • Occupation

Notes: ESWT = Establishment Survey on Working Time and Work–Life Balance; EWCS = European Working Conditions Survey; EB = Eurobarometer; ECHP = European Community Household Panel; DSEP = Dutch Socio-Economic Panel; GSOEP = German Socio-Economic Panel; BHPS = British Household Panel Survey.

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